

**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 August 31, 2014

OR

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

For the transition period from _____ to _____

Commission file number: 001-9610

Carnival Corporation

(Exact name of registrant as specified in its charter)

Republic of Panama

(State or other jurisdiction of incorporation or organization)

59-1562976

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

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

(Address of principal executive offices)
(Zip Code)

(305) 599-2600

(Registrant's telephone number, including area code)

None

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

Commission file number: 001-15136

Carnival plc

(Exact name of registrant as specified in its charter)

England and Wales

(State or other jurisdiction of incorporation or organization)

98-0357772

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

Carnival House, 5 Gainsford Street,
London SE1 2NE, United Kingdom

(Address of principal executive offices)
(Zip Code)

011 44 20 7940 5381

(Registrant's telephone number, including area code)

None

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



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

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

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

Large accelerated filers ☒

Accelerated filers ☐

Non-accelerated filers ☐

Smaller reporting companies ☐

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

At September 24, 2014, Carnival Corporation had outstanding 592,649,377 shares of Common Stock, \$0.01 par value.

At September 24, 2014, Carnival plc had outstanding 216,016,600 Ordinary Shares \$1.66 par value, one Special Voting Share, GBP 1.00 par value and 592,649,377 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 August 31,		Nine Months Ended August 31,	
	2014	2013	2014	2013
Revenues				
Cruise				
Passenger tickets	\$ 3,719	\$ 3,598	\$ 9,144	\$ 8,951
Onboard and other	1,084	987	2,839	2,670
Tour and other	144	141	182	177
	<u>4,947</u>	<u>4,726</u>	<u>12,165</u>	<u>11,798</u>
Operating Costs and Expenses				
Cruise				
Commissions, transportation and other	638	654	1,779	1,777
Onboard and other	165	144	392	385
Fuel	518	544	1,569	1,659
Payroll and related	485	464	1,450	1,378
Food	265	259	761	740
Other ship operating	599	769	1,825	1,951
Tour and other	84	83	130	113
	<u>2,754</u>	<u>2,917</u>	<u>7,906</u>	<u>8,003</u>
Selling and administrative	481	439	1,507	1,347
Depreciation and amortization	414	406	1,227	1,186
Ibero trademark impairment charge	—	13	—	13
	<u>3,649</u>	<u>3,775</u>	<u>10,640</u>	<u>10,549</u>
Operating Income	<u>1,298</u>	<u>951</u>	<u>1,525</u>	<u>1,249</u>
Nonoperating (Expense) Income				
Interest income	2	2	6	7
Interest expense, net of capitalized interest	(69)	(76)	(213)	(237)
Gains on fuel derivatives, net	15	64	10	5
Other income (expense), net	1	(6)	12	(9)
	<u>(51)</u>	<u>(16)</u>	<u>(185)</u>	<u>(234)</u>
Income Before Income Taxes	<u>1,247</u>	<u>935</u>	<u>1,340</u>	<u>1,015</u>
Income Tax Expense, Net	<u>—</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Net Income	<u>\$ 1,247</u>	<u>\$ 934</u>	<u>\$ 1,338</u>	<u>\$ 1,012</u>
Earnings Per Share				
Basic	<u>\$ 1.61</u>	<u>\$ 1.20</u>	<u>\$ 1.72</u>	<u>\$ 1.31</u>
Diluted	<u>\$ 1.60</u>	<u>\$ 1.20</u>	<u>\$ 1.72</u>	<u>\$ 1.30</u>
Dividends Declared Per Share	<u>\$ 0.25</u>	<u>\$ 0.25</u>	<u>\$ 0.75</u>	<u>\$ 0.75</u>

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 August 31,		Nine Months Ended August 31,	
	2014	2013	2014	2013
Net Income	<u>\$ 1,247</u>	<u>\$ 934</u>	<u>\$ 1,338</u>	<u>\$ 1,012</u>
Items Included in Other Comprehensive (Loss) Income				
Change in foreign currency translation adjustment	(254)	211	(154)	(69)
Other	(17)	11	(35)	25
Other Comprehensive (Loss) Income	<u>(271)</u>	<u>222</u>	<u>(189)</u>	<u>(44)</u>
Total Comprehensive Income	<u>\$ 976</u>	<u>\$ 1,156</u>	<u>\$ 1,149</u>	<u>\$ 968</u>

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

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

	August 31, 2014	November 30, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 436	\$ 462
Trade and other receivables, net	355	405
Insurance recoverables	123	381
Inventories	358	374
Prepaid expenses and other	330	315
Total current assets	1,602	1,937
Property and Equipment, Net	33,073	32,905
Goodwill	3,199	3,210
Other Intangibles	1,292	1,292
Other Assets	831	760
	<u>\$ 39,997</u>	<u>\$ 40,104</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	\$ 146	\$ 60
Current portion of long-term debt	1,754	1,408
Accounts payable	610	639
Claims reserve	225	456
Accrued liabilities and other	1,191	1,126
Customer deposits	3,130	3,031
Total current liabilities	7,056	6,720
Long-Term Debt	6,967	8,092
Other Long-Term Liabilities	817	736
Contingencies		
Shareholders' Equity		
Common stock of Carnival Corporation, \$0.01 par value; 1,960 shares authorized; 652 shares at 2014 and 651 shares at 2013 issued	7	7
Ordinary shares of Carnival plc, \$1.66 par value; 216 shares at 2014 and 2013 issued	358	358
Additional paid-in capital	8,369	8,325
Retained earnings	19,538	18,782
Accumulated other comprehensive (loss) income	(28)	161
Treasury stock, 59 shares at 2014 and 2013 of Carnival Corporation and 32 shares at 2014 and 2013 of Carnival plc, at cost	(3,087)	(3,077)
Total shareholders' equity	25,157	24,556
	<u>\$ 39,997</u>	<u>\$ 40,104</u>

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

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

	Nine Months Ended August 31,	
	2014	2013
OPERATING ACTIVITIES		
Net income	\$ 1,338	\$ 1,012
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,227	1,186
(Gains) on ship sales and ship impairments, net	(15)	163
Trademark and other impairment charges	—	27
Gains on fuel derivatives, net	(10)	(5)
Share-based compensation	37	32
Other, net	24	26
Changes in operating assets and liabilities		
Receivables	34	(172)
Inventories	15	1
Insurance recoverables, prepaid expenses and other	402	277
Accounts payable	(22)	50
Claims reserves and accrued and other liabilities	(379)	(132)
Customer deposits	142	(106)
Net cash provided by operating activities	2,793	2,359
INVESTING ACTIVITIES		
Additions to property and equipment	(1,677)	(1,812)
Proceeds from sale of ships	42	70
Other, net	18	(65)
Net cash used in investing activities	(1,617)	(1,807)
FINANCING ACTIVITIES		
Proceeds from short-term borrowings, net	95	142
Principal repayments of long-term debt	(1,513)	(942)
Proceeds from issuance of long-term debt	829	1,837
Dividends paid	(582)	(970)
Purchases of treasury stock	—	(138)
Sales of treasury stock	—	35
Other, net	(17)	7
Net cash used in financing activities	(1,188)	(29)
Effect of exchange rate changes on cash and cash equivalents	(14)	(7)
Net (decrease) increase in cash and cash equivalents	(26)	516
Cash and cash equivalents at beginning of period	462	465
Cash and cash equivalents at end of period	\$ 436	\$ 981

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.”

The Consolidated Balance Sheet at August 31, 2014, the Consolidated Statements of Income and the Consolidated Statements of Comprehensive Income for the three and nine months ended August 31, 2014 and 2013 and the Consolidated Statements of Cash Flows for the nine months ended August 31, 2014 and 2013 are unaudited and, in the opinion of our management, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation. Our interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in the Carnival Corporation & plc 2013 joint Annual Report on Form 10-K (“Form 10-K”) filed with the U.S. Securities and Exchange Commission on January 29, 2014. Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year. Certain prior period amounts have been reclassified in the Consolidated Balance Sheets to conform to the current period presentation.

Cruise passenger ticket revenues include fees, taxes and charges collected by us from our guests. The portion of these fees, taxes and charges included in passenger ticket revenues and commissions, transportation and other costs were \$146 million and \$140 million and \$407 million and \$395 million for the three and nine months ended August 31, 2014 and 2013, respectively.

During the three and nine months ended August 31, 2014 and 2013, repairs and maintenance expenses, including minor improvement costs and dry-dock expenses, were \$180 million and \$216 million and \$695 million and \$680 million, respectively, and are substantially all included in other ship operating expenses.

NOTE 2 – Unsecured Debt

At August 31, 2014, our short-term borrowings consisted of euro-denominated commercial paper of \$112 million and euro-denominated bank loans of \$34 million with an aggregate weighted-average interest rate of 0.7%.

In December 2013, we entered into a five-year \$150 million floating rate bank loan due in September 2019. We plan to draw under this loan by November 2014 and use the proceeds for general corporate purposes.

In January 2014, we repaid \$200 million of a floating rate bank loan prior to its October 2014 maturity date.

In March 2014, we repaid \$139 million of a floating rate euro-denominated bank loan prior to its September 2014 maturity date.

In April 2014, we repaid \$109 million of an export credit facility prior to its April 2023 maturity date.

In May 2014, we repaid \$300 million of an export credit facility prior to its May 2024 maturity date. In September 2014, we repaid \$181 million, which represented the remaining portion of this facility.

In May 2014, we borrowed \$554 million under an export credit facility, the proceeds of which were used to pay for a portion of *Regal Princess*' purchase price. This floating rate facility is due in semi-annual installments through May 2026.

In May 2014, we borrowed \$275 million under a euro-denominated floating rate revolving bank loan facility, the proceeds of which were used for general corporate purposes. This facility has a perpetual term although we can terminate it at any time, and the bank can terminate the facility at any time upon nine months notice.

In June 2014, Carnival Corporation, Carnival plc and certain of Carnival plc's subsidiaries amended and replaced their existing five-year multi-currency revolving credit facility of \$2.5 billion (comprised of \$1.6 billion, €450 million and £150 million) with a new five-year multi-currency revolving credit facility (the “Facility”). This Facility of \$2.6 billion (comprised of \$1.7 billion, €500 million and £150 million) at August 31, 2014 expires in June 2019, and we have options to extend this Facility through June 2021 subject to the approval of each bank. The Facility currently bears interest at LIBOR/EURIBOR plus a margin of 40 basis points (“bps”). The margin varies based on changes to Carnival Corporation's and Carnival plc's long-term senior unsecured credit ratings. We are required to pay a commitment fee of 35% of the margin per annum on any undrawn

portion. We will also incur an additional utilization fee of 10 bps, 20 bps or 40 bps if equal to or less than one-third, more than one-third or more than two-thirds of the Facility, respectively, is drawn on the total amount outstanding.

In June 2014, we entered into an export credit facility that will provide us with the ability to borrow up to an aggregate of \$236 million. Proceeds from this facility will be used to pay for a portion of the purchase price of a Seabourn ship, which is expected to be delivered in November 2016. This borrowing will be due in semi-annual installments through November 2028.

In August 2014, we restructured two floating rate bank loan facilities that had an aggregate outstanding loan balance of \$250 million at August 31, 2014. The restructuring added another \$150 million undrawn tranche and converted the terms into perpetual one-year maturities.

NOTE 3 – Contingencies

Litigation

As a result of the January 2012 ship incident, litigation claims, enforcement actions, regulatory actions and investigations, including, but not limited to, those arising from personal injury, loss of life, loss of or damage to personal property, business interruption losses or environmental damage to any affected coastal waters and the surrounding areas, have been and may be asserted or brought against various parties, including us. The existing assertions are ongoing and there are significant jurisdictional uncertainties. The ultimate outcome of these matters cannot be determined at this time. However, we do not expect these matters to have a significant impact on our results of operations because we have insurance coverage for these types of third-party claims.

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

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

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

At August 31, 2014, Carnival Corporation had estimated contingent obligations totaling \$394 million, excluding termination payments as discussed below, to participants in LILO transactions for two of its ships. At the inception of these leases, the aggregate of the net present value of these obligations was paid by Carnival Corporation to a group of major financial institutions, who agreed to act as payment undertakers and directly pay these obligations. As a result, these contingent obligations are considered extinguished and neither the funds nor the contingent obligations have been included in our Consolidated Balance Sheets.

In the event that Carnival Corporation were to default on its contingent obligations and assuming performance by all other participants, we estimate that it would, as of August 31, 2014, be responsible for a termination payment of \$31 million. In 2017, Carnival Corporation has the right to exercise options that would terminate these LILO transactions at no cost to it.

In certain cases, if the credit ratings of the financial institutions who are directly paying the contingent obligations fall below AA-, then Carnival Corporation will be required to replace these financial institutions with other financial institutions whose credit ratings are at least AA or meet other specified credit requirements. In such circumstances, it would incur additional costs, although we estimate that they would not be material to our consolidated financial statements. For the two financial institution payment undertakers subject to this AA- credit rating threshold, one has a credit rating of AA and the other has a credit rating of AA-. If Carnival Corporation’s credit rating, which is BBB+, falls below BBB, it will be required to provide a standby letter of credit for \$35 million, or, alternatively, provide mortgages for this aggregate amount on these two ships.

Contingent Obligations – Indemnifications

Some of the debt contracts that we enter into include indemnification provisions that obligate us to make payments to the counterparty if certain events occur. These contingencies generally relate to changes in taxes and changes in laws that increase lender capital costs and other similar costs. The indemnification clauses are often standard contractual terms and were entered into in the normal course of business. There are no stated or notional amounts included in the indemnification clauses, and we are not able to estimate the maximum potential amount of future payments, if any, under these indemnification clauses. We have not been required to make any material payments under such indemnification clauses in the past and, under current circumstances, we do not believe a request for material future indemnification payments is probable.

NOTE 4 – Fair Value Measurements, Derivative Instruments and Hedging Activities

Fair Value Measurements

U.S. accounting standards establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable market participants at the measurement date. Therefore, even when market assumptions are not readily available, our own assumptions are set to reflect those that we believe market participants would use in pricing the asset or liability at the measurement date.

The fair value measurement of a financial asset or financial liability must reflect the nonperformance risk of the counterparty and us. Therefore, the impact of our counterparty's creditworthiness was considered when in an asset position, and our creditworthiness was considered when in a liability position in the fair value measurement of our financial instruments. Creditworthiness did not have a significant impact on the fair values of our financial instruments at August 31, 2014 and November 30, 2013. Both the counterparties and we are expected to continue to perform under the contractual terms of the instruments. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, certain estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

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

The estimated carrying and fair values and basis of valuation of our financial instrument assets and liabilities that are not measured at fair value on a recurring basis were as follows (in millions):

	August 31, 2014				November 30, 2013			
	Carrying Value	Fair Value			Carrying Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets								
Cash and cash equivalents (a)	\$ 316	\$ 316	\$ —	\$ —	\$ 349	\$ 349	\$ —	\$ —
Long-term other assets (b)	106	1	52	54	110	1	58	50
Total	<u>\$ 422</u>	<u>\$ 317</u>	<u>\$ 52</u>	<u>\$ 54</u>	<u>\$ 459</u>	<u>\$ 350</u>	<u>\$ 58</u>	<u>\$ 50</u>
Liabilities								
Fixed rate debt (c)	\$ 5,125	\$ —	\$ 5,483	\$ —	\$ 5,574	\$ —	\$ 5,941	\$ —
Floating rate debt (c)	3,742	—	3,700	—	3,986	—	3,997	—
Total	<u>\$ 8,867</u>	<u>\$ —</u>	<u>\$ 9,183</u>	<u>\$ —</u>	<u>\$ 9,560</u>	<u>\$ —</u>	<u>\$ 9,938</u>	<u>\$ —</u>

- (a) Cash and cash equivalents are comprised of cash on hand and time deposits, and at August 31, 2014, also include a money market deposit and, due to their short maturities the carrying values approximate their fair values.
- (b) At August 31, 2014 and November 30, 2013, long-term other assets were substantially all comprised of notes and other receivables. The fair values of our Level 1 and Level 2 notes and other receivables were based on estimated future cash flows discounted at appropriate market interest rates. The fair values of our Level 3 notes receivable were estimated using risk-adjusted discount rates.

- (c) The net difference between the fair value of our fixed rate debt and its carrying value was due to the market interest rates in existence at August 31, 2014 and November 30, 2013 being lower than the fixed interest rates on these debt obligations, including the impact of any changes in our credit ratings. At August 31, 2014 and November 30, 2013, the net difference between the fair value of our floating rate debt and its carrying value was due to the market interest rates in existence at August 31, 2014 and November 30, 2013, being slightly higher and slightly lower, respectively, than the floating interest rates on these debt obligations, including the impact of any changes in our credit ratings. The fair values of our publicly-traded notes were based on their unadjusted quoted market prices in markets that are not sufficiently active to be Level 1. The fair values of our other debt were estimated based on appropriate market interest rates being applied to this debt.

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

The estimated fair value and basis of valuation of our financial instrument assets and liabilities that are measured at fair value on a recurring basis were as follows (in millions):

	August 31, 2014			November 30, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash equivalents (a)	\$ 120	\$ —	\$ —	\$ 113	\$ —	\$ —
Restricted cash (b)	32	—	—	28	—	—
Marketable securities held in rabbi trusts (c)	112	10	—	113	10	—
Derivative financial instruments (d)	—	56	—	—	60	—
Long-term other assets (e)	—	—	20	—	—	17
Total	\$ 264	\$ 66	\$ 20	\$ 254	\$ 70	\$ 17
Liabilities						
Derivative financial instruments (d)	\$ —	\$ 52	\$ —	\$ —	\$ 31	\$ —
Total	\$ —	\$ 52	\$ —	\$ —	\$ 31	\$ —

- (a) Cash equivalents are comprised of money market funds.
- (b) Restricted cash is primarily comprised of money market funds.
- (c) At August 31, 2014, marketable securities held in rabbi trusts were substantially comprised of Level 1 bonds and frequently-priced mutual funds invested in common stocks and Level 2 other investments. At November 30, 2013, marketable securities held in rabbi trusts were principally comprised of Level 1 frequently-priced mutual funds invested in common stocks and Level 2 other investments. Their use is restricted to funding certain deferred compensation and non-qualified U.S. pension plans.
- (d) See “Derivative Instruments and Hedging Activities” section below for detailed information regarding our derivative financial instruments.
- (e) Long-term other assets are comprised of an auction-rate security. The fair value was based on a broker quote in an inactive market, which is considered a Level 3 input. During the nine months ended August 31, 2014, there were no purchases or sales pertaining to this auction-rate security and, accordingly, the change in its fair value was based solely on the strengthening of the underlying credit.

We measure our derivatives using valuations that are calibrated to the initial trade prices. Subsequent valuations are based on observable inputs and other variables included in the valuation models such as interest rate, yield and commodity price curves, forward currency exchange rates, credit spreads, maturity dates, volatilities and netting arrangements. We use the income approach to value derivatives for foreign currency options and forwards, interest rate swaps and fuel derivatives using observable market data for all significant inputs and standard valuation techniques to convert future amounts to a single present value amount, assuming that participants are motivated, but not compelled to transact. We also corroborate our fair value estimates using valuations provided by our counterparties.

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

Impairments and Sale of Ships

Due to the expected absorption of Ibero Cruises' ("Ibero") operations into Costa Cruises ("Costa") in late 2014 and certain Ibero ship-specific facts and circumstances, such as their size, age, condition, viable alternative itineraries and historical operating cash flows, we performed undiscounted future cash flow analyses of Ibero's two ships, *Grand Celebration* and *Grand Holiday* as of May 31, 2014 (and also August 31, 2014 for *Grand Holiday*) to determine if these ships were impaired. The principal assumptions used in our undiscounted cash flow analyses consisted of an estimated sales price for *Grand Holiday*, forecasted future operating results, including net revenue yields and net cruise costs including fuel prices, and estimated residual values, which are all considered Level 3 inputs, and the transfer of *Grand Celebration* into Costa in late 2014. Based on its undiscounted cash flow analyses, we determined that the net carrying value for *Grand Celebration* exceeded its estimated undiscounted future cash flows. Accordingly, we then estimated the May 31, 2014 fair value of this ship based on its discounted future cash flows and compared this estimated fair value to its net carrying value. As a result, we recognized a \$22 million ship impairment charge in other ship operating expenses during the three months ended May 31, 2014.

In July 2013, we recognized a \$73 million impairment charge related to *Costa Voyager*, and in November 2013, it was taken out of service. In March 2014, we sold this ship and recognized a \$37 million gain as a reduction in other ship operating expenses during the three months ended May 31, 2014.

Valuation of Goodwill and Other Intangibles

The reconciliation of the changes in the carrying amounts of our goodwill, which goodwill has been allocated to our North America and Europe, Australia & Asia ("EAA") cruise brands, was as follows (in millions):

	North America Cruise Brands	EAA Cruise Brands	Total
Balance at November 30, 2013	\$ 1,898	\$ 1,312	\$ 3,210
Foreign currency translation adjustment	—	(11)	(11)
Balance at August 31, 2014	\$ 1,898	\$ 1,301	\$ 3,199

At July 31, 2014, all of our cruise brands carried goodwill, except for Ibero and Seabourn. As of that date, we performed our annual goodwill impairment reviews, which included performing a qualitative assessment for all cruise brands that carried goodwill, except for Carnival Cruise Lines, Cunard and P&O Cruises (UK). Qualitative factors such as industry and market conditions, macroeconomic conditions, changes to the weighted-average cost of capital ("WACC"), overall financial performance, changes in fuel prices and capital expenditures were considered in the qualitative assessment to determine how changes in these factors would affect each of these cruise brands' estimated fair values. Based on our qualitative assessments, we determined it was more-likely-than-not that each of these cruise brands' estimated fair values exceeded their carrying values and, therefore, we did not proceed to the two-step quantitative goodwill impairment reviews.

As of July 31, 2014, we also performed our annual goodwill impairment reviews of Carnival Cruise Lines', Cunard's and P&O Cruises (UK)'s goodwill. We did not perform a qualitative assessment but instead proceeded directly to step one of the two-step quantitative goodwill impairment review and compared each of Carnival Cruise Lines', Cunard's and P&O Cruises (UK)'s estimated fair value to the carrying value of their allocated net assets. Their estimated cruise brand fair value was based on a discounted future cash flow analysis. The principal assumptions used in our cash flow analyses consisted of forecasted future operating results, including net revenue yields and net cruise costs including fuel prices; capacity changes, including the expected rotation of vessels into, or out of, Carnival Cruise Lines, Cunard and P&O Cruises (UK); capital expenditures; WACC of market participants, adjusted for the risk attributable to the geographic regions in which Carnival Cruise Lines, Cunard and P&O Cruises (UK) operate and terminal values, which are all considered Level 3 inputs. Based on the discounted cash flow analyses, we determined that each of Carnival Cruise Lines', Cunard's and P&O Cruises (UK)'s estimated fair value significantly exceeded their carrying value and, therefore, we did not proceed to step two of the impairment reviews.

At August 31, 2014, accumulated goodwill impairment charges were \$153 million and were all related to Ibero.

The reconciliation of the changes in the carrying amounts of our intangible assets not subject to amortization, which represent trademarks that have been allocated to our North America and EAA cruise brands, was as follows (in millions):

	North America Cruise Brands	EAA Cruise Brands	Total
Balance at November 30, 2013	\$ 927	\$ 359	\$ 1,286
Foreign currency translation adjustment	—	1	1
Balance at August 31, 2014	\$ 927	\$ 360	\$ 1,287

At July 31, 2014, our cruise brands that have significant trademarks recorded include AIDA Cruises (“AIDA”), P&O Cruises (Australia), P&O Cruises (UK) and Princess Cruises (“Princess”). As of that date, we performed our annual trademark impairment reviews for these cruise brands, which included performing a qualitative assessment for AIDA, P&O Cruises (Australia) and Princess. Qualitative factors such as industry and market conditions, macroeconomic conditions, changes to the WACC, changes in royalty rates and overall financial performance were considered in the qualitative assessment to determine how changes in these factors would affect the estimated fair values for each of these cruise brands’ recorded trademarks. Based on our qualitative assessments, we determined it was more likely-than-not that the estimated fair value for AIDA’s, P&O Cruises (Australia)’s and Princess’ recorded trademarks exceeded their carrying value and, therefore, none of these trademarks were impaired.

As of July 31, 2014, we also performed our annual trademark impairment review of P&O Cruises (UK). We did not perform a qualitative assessment but instead proceeded directly to the quantitative trademark impairment review. Our quantitative assessment included estimating P&O Cruises (UK)’s trademarks fair value based upon a discounted future cash flow analysis, which estimated the amount of royalties that we are relieved from having to pay for use of the associated trademarks, based upon forecasted cruise revenues and a market participant’s royalty rate. The royalty rate was estimated primarily using comparable royalty agreements for similar industries. Based on our quantitative assessment, we determined that the estimated fair value for P&O Cruises (UK)’s trademarks significantly exceeded their carrying values and, therefore, none of these trademarks were impaired.

At August 31, 2014 and November 30, 2013, our intangible assets subject to amortization are not significant to our consolidated financial statements.

The determination of our cruise brand, cruise ship and trademark fair values includes numerous assumptions that are subject to various risks and uncertainties. We believe that we have made reasonable estimates and judgments in determining whether our goodwill, cruise ships and trademarks have been impaired. However, if there is a change in assumptions used or if there is a change in the conditions or circumstances influencing fair values in the future, then we may need to recognize an impairment charge.

Derivative Instruments and Hedging Activities

We utilize derivative and nonderivative financial instruments, such as foreign currency forwards, options and swaps, foreign currency debt obligations and foreign currency cash balances, to manage our exposure to fluctuations in certain foreign currency exchange rates, and interest rate swaps to manage our interest rate exposure in order to achieve a desired proportion of fixed and floating rate debt. In addition, we utilize our fuel derivatives program to mitigate a portion of the risk to our future cash flows attributable to potential fuel price increases, which we define as our “economic risk.” Our policy is to not use any financial instruments for trading or other speculative purposes.

All derivatives are recorded at fair value. The changes in fair value are recognized currently in earnings if the derivatives do not qualify as effective hedges, or if we do not seek to qualify for hedge accounting treatment, such as for our fuel derivatives. If a derivative is designated as a fair value hedge, then changes in the fair value of the derivative are offset against the changes in the fair value of the underlying hedged item. If a derivative is designated as a cash flow hedge, then the effective portion of the changes in the fair value of the derivative is recognized as a component of accumulated other comprehensive income (“AOCI”) until the underlying hedged item is recognized in earnings or the forecasted transaction is no longer probable. If a derivative or a nonderivative financial instrument is designated as a hedge of our net investment in a foreign operation, then changes in the fair value of the financial instrument are recognized as a component of AOCI to offset a portion of the change in the translated value of the net investment being hedged, until the investment is sold or liquidated. We formally document hedging relationships for all derivative and nonderivative hedges and the underlying hedged items, as well as our risk management objectives and strategies for undertaking the hedge transactions.

We classify the fair values of all our derivative contracts as either current or long-term, depending on whether the maturity date of the derivative contract is within or beyond one year from the balance sheet date. The cash flows from derivatives treated as hedges are classified in our Consolidated Statements of Cash Flows in the same category as the item being hedged. Our cash flows related to fuel derivatives are classified within investing activities.

The estimated fair values of our derivative financial instruments and their location on the Consolidated Balance Sheets were as follows (in millions):

	Balance Sheet Location	August 31, 2014	November 30, 2013
<u>Derivative assets</u>			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Prepaid expenses and other	\$ 1	\$ —
	Other assets – long-term	3	2
Foreign currency zero cost collars (b)	Other assets – long-term	—	8
Interest rate swaps (c)	Prepaid expenses and other	1	1
	Other assets – long-term	—	5
		5	16
Derivatives not designated as hedging instruments			
Fuel (d)	Prepaid expenses and other	8	14
	Other assets – long-term	43	30
		51	44
Total derivative assets		<u>\$ 56</u>	<u>\$ 60</u>
<u>Derivative liabilities</u>			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Accrued liabilities and other	\$ —	\$ 4
Foreign currency zero cost collars (b)	Accrued liabilities and other	3	—
Interest rate swaps (c)	Accrued liabilities and other	13	13
	Other long-term liabilities	36	13
		52	30
Derivatives not designated as hedging instruments			
Fuel (d)	Other long-term liabilities	—	1
		—	1
Total derivative liabilities		<u>\$ 52</u>	<u>\$ 31</u>

- (a) At August 31, 2014 and November 30, 2013, we had foreign currency forwards totaling \$193 million and \$578 million, respectively, that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. At August 31, 2014, these foreign currency forwards settle through July 2017.
- (b) At August 31, 2014 and November 30, 2013, we had foreign currency derivatives consisting of foreign currency zero cost collars that are designated as foreign currency cash flow hedges for a portion of our euro-denominated shipbuilding payments. See “Newbuild Currency Risks” below for additional information regarding these derivatives.
- (c) We have euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. At August 31, 2014 and November 30, 2013, these interest rate swap agreements effectively changed \$820 million and \$909 million, respectively, of EURIBOR-based floating rate euro debt to fixed rate euro debt. These interest rate swaps settle through March 2025. In addition, at August 31, 2014 and November 30, 2013 we had U.S. dollar interest rate swaps designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making floating interest rate payments. These interest rate swap agreements effectively changed \$500 million of fixed rate debt to U.S. dollar LIBOR-based floating rate debt. These interest rate swaps settle through February 2016.
- (d) At August 31, 2014, we had fuel derivatives consisting of zero cost collars on Brent crude oil (“Brent”) to cover a portion of our estimated fuel consumption through 2018. See “Fuel Price Risks” below for additional information

regarding these fuel derivatives. At November 30, 2013, we had fuel derivatives consisting of zero cost collars on Brent to cover a portion of our estimated fuel consumption through 2017.

Our derivative contracts include rights of offset with our counterparties. We have elected to net certain of our derivative assets and liabilities within counterparties. The amounts recognized within assets and liabilities were as follows (in millions):

August 31, 2014					
	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	\$ 98	\$ (42)	\$ 56	\$ (3)	\$ 53
Liabilities	\$ 94	\$ (42)	\$ 52	\$ (3)	\$ 49

November 30, 2013					
	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	\$ 137	\$ (77)	\$ 60	\$ (7)	\$ 53
Liabilities	\$ 108	\$ (77)	\$ 31	\$ (7)	\$ 24

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

	Three Months Ended August 31,		Nine months ended August 31,	
	2014	2013	2014	2013
Net investment hedges	\$ 3	\$ (2)	\$ 3	\$ (4)
Foreign currency zero cost collars – cash flow hedges	\$ (5)	\$ (1)	\$ (11)	\$ 6
Interest rate swaps – cash flow hedges	\$ (11)	\$ 10	\$ (26)	\$ 13

There are no credit risk related contingent features in our derivative agreements, except for bilateral credit provisions within our fuel derivative counterparty agreements. These provisions require interest-bearing, non-restricted cash to be posted or received as collateral to the extent the fuel derivative fair value payable to or receivable from an individual counterparty, respectively, exceeds \$100 million. At August 31, 2014 and November 30, 2013, no collateral was required to be posted to or received from our fuel derivative counterparties.

The amount of estimated cash flow hedges' unrealized gains and losses that are expected to be reclassified to earnings in the next twelve months is not significant. We have not provided additional disclosures of the impact that derivative instruments and hedging activities have on our consolidated financial statements as of August 31, 2014 and November 30, 2013 and for the three and nine months ended August 31, 2014 and 2013 where such impacts were not significant.

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 nonderivative financial instruments. Our primary focus is to manage the economic foreign currency exchange risks faced by our operations, which are the ultimate foreign currency exchange risks that would be realized by us if we exchanged one currency for another, and not accounting risks. Accordingly, we do not currently hedge foreign currency exchange accounting risks with derivative financial instruments. The financial impacts of the hedging instruments we do employ generally offset the changes in the underlying exposures being hedged.

Operational and Investment Currency Risks

Our European and Australian cruise brands subject us to foreign currency translation risk related to the euro, sterling and Australian dollar because these brands generate significant revenues and incur significant expenses in euro, sterling or the Australian dollar. Accordingly, exchange rate fluctuations of the euro, sterling and Australian dollar against the U.S. dollar will

affect our reported financial results since the reporting currency for our consolidated financial statements is the U.S. dollar. Any strengthening of the U.S. dollar against these foreign currencies has the financial statement effect of decreasing the U.S. dollar values reported for cruise revenues and expenses. Any weakening of the U.S. dollar has the opposite effect.

Most of our brands also have non-functional currency risk related to their international sales operations, which has become an increasingly larger part of most of their businesses over time, and primarily includes the euro, sterling and Australian, Canadian and U.S. dollars. In addition, all of our brands have non-functional currency expenses for a portion of their operating expenses. Accordingly, these brands' revenues and expenses in non-functional currencies create some degree of natural offset for recognized transactional currency gains and losses due to currency exchange movements.

We consider our investments in foreign operations to be denominated in relatively stable currencies and of a long-term nature. We partially mitigate our net investment currency exposures by denominating a portion of our foreign currency intercompany payables in our foreign operations' functional currencies, substantially all sterling. As of August 31, 2014 and November 30, 2013, we have designated \$2.4 billion and \$2.2 billion, respectively, of our foreign currency intercompany payables as nonderivative hedges of our net investments in foreign operations. Accordingly, we have included \$209 million and \$234 million of cumulative foreign currency transaction nonderivative gains in the cumulative translation adjustment component of AOCI at August 31, 2014 and November 30, 2013, respectively, which offsets a portion of the losses recorded in AOCI upon translating our foreign operations' net assets into U.S. dollars. During the three and nine months ended August 31, 2014 and 2013, we recognized foreign currency nonderivative transaction gains (losses) of \$14 million (\$22 million in 2013) and \$(25) million (\$83 million in 2013), respectively, in the cumulative translation adjustment component of AOCI.

Newbuild Currency Risks

Our shipbuilding contracts are typically denominated in euros. Our decisions regarding whether or not to hedge a non-functional currency ship commitment for our cruise brands are made on a case-by-case basis, taking into consideration the amount and duration of the exposure, market volatility, currency exchange rate correlation, economic trends, our overall expected net cash flows by currency and other offsetting risks. We use foreign currency derivative contracts and have used nonderivative financial instruments to manage foreign currency exchange rate risk for some of our ship construction payments.

In July 2012, we entered into foreign currency zero cost collars that are designated as cash flow hedges for a portion of P&O Cruises (UK) *Britannia*'s euro-denominated shipyard payments. These collars mature in February 2015 at a weighted-average ceiling rate of £0.83 to the euro, or \$304 million, and a weighted-average floor rate of £0.77 to the euro, or \$282 million. In June 2014, we entered into foreign currency zero cost collars that are also designated as cash flow hedges for the remaining portion of *Britannia*'s euro-denominated shipyard payments. These collars also mature in February 2015 at a weighted-average ceiling rate of £0.81 to the euro, or \$298 million, and a weighted-average floor rate of £0.79 to the euro, or \$291 million. If the spot rate is between the weighted-average ceiling and floor rates on the date of maturity, then we would not owe or receive any payments under these collars.

At August 31, 2014, substantially all of our remaining newbuild currency exchange rate risk relates to euro-denominated newbuild construction payments for a Seabourn and a Princess newbuild, which represent a total unhedged commitment of \$1.1 billion.

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

Interest Rate Risks

We manage our exposure to fluctuations in interest rates through our investment and debt portfolio management strategies. These strategies include purchasing high quality short-term investments with floating interest rates, and evaluating our debt portfolio as to whether to make periodic adjustments to the mix of fixed and floating rate debt through the use of interest rate swaps and the issuance of new debt or the early retirement of existing debt. At August 31, 2014, 61% and 39% (59% and 41% at November 30, 2013) of our debt bore fixed and floating interest rates, respectively, including the effect of interest rate swaps.

Fuel Price Risks

Our exposure to market risk for changes in fuel prices substantially all relates to the consumption of fuel on our ships. We use our fuel derivatives program to mitigate a portion of our economic risk attributable to potential fuel price increases. We designed our fuel derivatives program to maximize operational flexibility by utilizing derivative markets with significant trading liquidity and our program currently consists of zero cost collars on Brent.

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

At August 31, 2014, our outstanding fuel derivatives consisted of zero cost collars on Brent to cover a portion of our estimated fuel consumption as follows:

Maturities (a)	Transaction Dates	Barrels (in thousands)	Weighted-Average Floor Prices	Weighted-Average Ceiling Prices	Percent of Estimated Fuel Consumption Covered
Fiscal 2014 (Q4)					
	November 2011	528	\$ 85	\$ 114	
	February 2012	528	\$ 88	\$ 125	
	June 2012	594	\$ 71	\$ 116	
	May 2013	432	\$ 85	\$ 108	
		<u>2,082</u>			44%
Fiscal 2015					
	November 2011	2,160	\$ 80	\$ 114	
	February 2012	2,160	\$ 80	\$ 125	
	June 2012	1,236	\$ 74	\$ 110	
	April 2013	1,044	\$ 80	\$ 111	
	May 2013	1,884	\$ 80	\$ 110	
		<u>8,484</u>			45%
Fiscal 2016					
	June 2012	3,564	\$ 75	\$ 108	
	February 2013	2,160	\$ 80	\$ 120	
	April 2013	3,000	\$ 75	\$ 115	
		<u>8,724</u>			45%
Fiscal 2017					
	February 2013	3,276	\$ 80	\$ 115	
	April 2013	2,028	\$ 75	\$ 110	
	January 2014	1,800	\$ 75	\$ 114	
		<u>7,104</u>			37%
Fiscal 2018					
	January 2014	<u>2,700</u>	\$ 75	\$ 110	14%

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

Concentrations of Credit Risk

As part of our ongoing control procedures, we monitor concentrations of credit risk associated with financial and other institutions with which we conduct significant business. Our maximum exposure under foreign currency and fuel derivative contracts and interest rate swap agreements that are in-the-money, which were not material at August 31, 2014, is the replacement cost, net of any collateral received or contractually allowed offset, in the event of nonperformance by the counterparties to the contracts, all of which are currently our lending banks. We seek to minimize credit risk exposure, including counterparty nonperformance primarily associated with our cash equivalents, investments, committed financing facilities, contingent obligations, derivative instruments, insurance contracts and new ship progress payment guarantees, by normally conducting business with large, well-established financial institutions, insurance companies and export credit agencies, and by diversifying our counterparties. In addition, we have guidelines regarding credit ratings and investment maturities that we follow to help safeguard liquidity and minimize risk. We normally do require collateral and/or guarantees to

support notes receivable on significant asset sales, long-term ship charters and new ship progress payments to shipyards. We currently believe the risk of nonperformance by any of our significant counterparties is remote.

We also monitor the creditworthiness of travel agencies and tour operators in Europe and Australia and credit card providers to which we extend credit in the normal course of our business. Our credit exposure includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in most of Europe and Australia where we are obligated to extend credit in a like amount to these guests even if we do not receive payment from the travel agents and tour operators. Concentrations of credit risk associated with these receivables and contingent obligations are not considered to be material, primarily due to the large number of unrelated accounts within our customer base, the amount of these contingent obligations and their short maturities. We have experienced only minimal credit losses on our trade receivables and related contingent obligations. We do not normally require collateral or other security to support normal credit sales.

NOTE 5 – Segment Information

We have three reportable cruise segments that are comprised of our (1) North America cruise brands, (2) EAA cruise brands and (3) Cruise Support. In addition, we have a Tour and Other segment. Our segments are reported on the same basis as the internally reported information that is provided to our chief operating decision maker (“CODM”), who is the President and Chief Executive Officer of Carnival Corporation and Carnival plc. Decisions to allocate resources and assess performance for Carnival Corporation & plc are made by the CODM upon review of the segment results across all of our cruise brands and other segments.

Our North America cruise segment includes Carnival Cruise Lines, Holland America Line, Princess and Seabourn. Our EAA cruise segment includes AIDA, Costa, Cunard, Ibero, P&O Cruises (Australia) and P&O Cruises (UK). These individual cruise brand operating segments have been aggregated into two reportable segments based on the similarity of their economic and other characteristics, including types of customers, regulatory environment, maintenance requirements, supporting systems and processes and products and services they provide. Our Cruise Support segment represents certain of our port and related facilities and other corporate-wide services that are provided for the benefit of our cruise brands. Our Tour and Other segment represents the hotel and transportation operations of Holland America Princess Alaska Tours. Our Tour and Other segment also included two ships that we chartered to an unaffiliated entity. In April 2013, we sold one of these two ships and recognized a \$15 million gain as a reduction of Tour and Other operating expenses for the second quarter of 2013. Accordingly subsequent to this 2013 sale, our Tour and Other segment includes only one ship.

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

	Three Months Ended August 31,				
	Revenues	Operating expenses	Selling and administrative	Depreciation and amortization	Operating income (loss)
2014					
North America Cruise Brands (a)	\$ 3,035	\$ 1,791	\$ 271	\$ 243	\$ 730
EAA Cruise Brands	1,839	977	163	156	543
Cruise Support	25	(2)	45	6	(24)
Tour and Other (a)	144	84	2	9	49
Intersegment elimination (a)	(96)	(96)	—	—	—
	<u>\$ 4,947</u>	<u>\$ 2,754</u>	<u>\$ 481</u>	<u>\$ 414</u>	<u>\$ 1,298</u>
2013					
North America Cruise Brands (a)	\$ 2,975	\$ 1,820	\$ 248	\$ 235	\$ 672
EAA Cruise Brands	1,704	1,133	163	156	239 (b)
Cruise Support	23	(2)	25	7	(7)
Tour and Other (a)	141	83	3	8	47
Intersegment elimination (a)	(117)	(117)	—	—	—
	<u>\$ 4,726</u>	<u>\$ 2,917</u>	<u>\$ 439</u>	<u>\$ 406</u>	<u>\$ 951</u>
	Nine Months Ended August 31,				
	Revenues	Operating expenses	Selling and administrative	Depreciation and amortization	Operating income (loss)
2014					
North America Cruise Brands (a)	\$ 7,321	\$ 4,898	\$ 848	\$ 716	\$ 859
EAA Cruise Brands	4,709	2,989	529	465	726
Cruise Support	63	(1)	124	20	(80)
Tour and Other (a)	182	130	6	26	20
Intersegment elimination (a)	(110)	(110)	—	—	—
	<u>\$ 12,165</u>	<u>\$ 7,906</u>	<u>\$ 1,507</u>	<u>\$ 1,227</u>	<u>\$ 1,525</u>
2013					
North America Cruise Brands (a)	\$ 7,212	\$ 4,837	\$ 762	\$ 691	\$ 922
EAA Cruise Brands	4,464	3,147	494	449	361 (b)
Cruise Support	73	34	85	18	(64)
Tour and Other (a)	177	113	6	28	30
Intersegment elimination (a)	(128)	(128)	—	—	—
	<u>\$ 11,798</u>	<u>\$ 8,003</u>	<u>\$ 1,347</u>	<u>\$ 1,186</u>	<u>\$ 1,249</u>

- (a) A portion of the North America cruise brands' segment revenues includes revenues for the tour portion of a cruise when a land tour package is sold along with a cruise by either Holland America Line or Princess. These intersegment tour revenues, which are included in our Tour and Other segment, are eliminated directly against the North America cruise brands' segment revenues and operating expenses in the line "Intersegment elimination."
- (b) Includes a \$13 million impairment charge related to Ibero's trademarks.

NOTE 6 – Earnings Per Share

Our basic and diluted earnings per share were computed as follows (in millions, except per share data):

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2014	2013	2014	2013
Net income for basic and diluted earnings per share	\$ 1,247	\$ 934	\$ 1,338	\$ 1,012
Weighted-average common and ordinary shares outstanding	776	775	776	775
Dilutive effect of equity plans	2	2	2	2
Diluted weighted-average shares outstanding	778	777	778	777
Basic earnings per share	\$ 1.61	\$ 1.20	\$ 1.72	\$ 1.31
Diluted earnings per share	\$ 1.60	\$ 1.20	\$ 1.72	\$ 1.30
Anti-dilutive equity awards excluded from diluted earnings per share computations	3	5	3	5

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

Cautionary Note Concerning Factors That May Affect Future Results

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

Forward-looking statements include those statements that may impact, among other things, the forecasting of our non-GAAP earnings per share; net revenue yields; booking levels; pricing; occupancy; operating, financing and tax costs, including fuel expenses; net cruise costs per available lower berth day; estimates of ship depreciable lives and residual values; liquidity; goodwill, ship and trademark fair values and outlook. Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in this joint Quarterly Report on Form 10-Q. These factors include, but are not limited to, the following:

- general economic and business conditions;
- increases in fuel prices;
- incidents, the spread of contagious diseases and threats thereof, adverse weather conditions or other natural disasters and other incidents affecting the health, safety, security and satisfaction of guests and crew;
- the international political climate, armed conflicts, terrorist and pirate attacks, vessel seizures, and threats thereof, and other world events affecting the safety and security of travel;
- negative publicity concerning the cruise industry in general or us in particular, including any adverse environmental impacts of cruising;
- litigation, enforcement actions, fines or penalties;
- economic, market and political factors that are beyond our control, which could increase our operating, financing and other costs;
- changes in and compliance with laws and regulations relating to the protection of persons with disabilities, employment, environment, health, safety, security, tax and other regulations under which we operate;
- our inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments on terms that are favorable or consistent with our expectations;
- increases to our repairs and maintenance expenses and refurbishment costs as our fleet ages;
- lack of continuing availability of attractive, convenient and safe port destinations on terms that are favorable or consistent with our expectations;
- continuing financial viability of our travel agent distribution system, air service providers and other key vendors in our supply chain and reductions in the availability of, and increases in the prices for, the services and products provided by these vendors;
- disruptions and other damages to our information technology and other networks and operations, and breaches in data security;
- failure to keep pace with developments in technology;
- competition from and overcapacity in the cruise ship and land-based vacation industry;
- loss of key personnel or our ability to recruit or retain qualified personnel;
- union disputes and other employee relation issues;
- disruptions in the global financial markets or other events that may negatively affect the ability of our counterparties and others to perform their obligations to us;
- the continued strength of our cruise brands and our ability to implement our brand strategies;
- additional risks to our international operations not generally applicable to our U.S. operations;
- geographic regions in which we try to expand our business may be slow to develop and ultimately not develop how we expect;
- our decisions to self-insure against various risks or our inability to obtain insurance for certain risks at reasonable rates;
- fluctuations in foreign currency exchange rates;
- whether our future operating cash flow will be sufficient to fund future obligations and whether we will be able to obtain financing, if necessary, in sufficient amounts and on terms that are favorable or consistent with our expectations;
- risks associated with the dual listed company arrangement and
- uncertainties of a foreign legal system as Carnival Corporation and Carnival plc are not U.S. corporations.

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

Outlook

On September 23, 2014, we said that we expected our non-GAAP diluted earnings per share for the 2014 fourth quarter and full year to be in the ranges of \$0.15 to \$0.19 and \$1.84 to \$1.88, respectively (see “Key Performance Non-GAAP Financial Indicators”). Our 2014 fourth quarter guidance was based on fuel prices of \$635 per metric ton. In addition, our guidance was based on 2014 fourth quarter currency rates of \$1.30 to the euro, \$1.63 to sterling and \$0.94 to the Australian dollar. The fuel and currency assumptions used in our guidance change daily and, accordingly, our forecasts change daily based on the changes in these assumptions.

For the first half of 2015, cumulative advance bookings are ahead of the prior year at higher prices, and for the full year 2015, we expect net revenue yield growth. For the full year 2015, net cruise costs excluding fuel per available lower berth day (“ALBD”) are expected to increase approximately 3% due primarily to a significantly higher level of dry-dock days scheduled in 2015 to install new air emissions technology as well as other technology designed to improve fuel efficiency. We expect the exhaust gas cleaning system or scrubber technology will be installed on 70% of our fleet by 2016, thus enabling us to meet the 2015 stricter air emissions standards as well as mitigate escalating fuel costs that will result from the new requirements. We anticipate the new regulations will result in higher fuel costs in full year 2015 of approximately \$0.10 per share with that increase expected to be reduced by half in 2016 and mostly offset in 2017 based on the system roll-out. Also, in 2016, we will revert back to a lower level of dry-dock days, which will offset approximately two-thirds of the increase in 2015 net cruise costs excluding fuel.

The above forward-looking statements involve risks, uncertainties and assumptions with respect to us. There are many factors that could cause our actual results to differ materially from those expressed above including, but not limited to, general economic and business conditions, increases in fuel prices, incidents, spread of contagious diseases, adverse weather conditions, geo-political events, negative publicity and other factors that could adversely impact our revenues, costs and expenses. You should read the above forward-looking statements together with the discussion of these and other risks under “Cautionary Note Concerning Factors That May Affect Future Results.”

Critical Accounting Estimates

For a discussion of our critical accounting estimates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” that is included in the 2013 Form 10-K.

Ibero’s *Grand Holiday* is currently operating and being marketed for sale. At May 31, 2014 and August 31, 2014, *Grand Holiday*’s estimated undiscounted future cash flows exceeded its net carrying value and, therefore, no ship impairment charge was required. There have not been any events or circumstances subsequent to August 31, 2014 that we believe would require an impairment charge for this ship. However, if *Grand Holiday* is sold for less than its carrying value, a ship impairment charge will be incurred.

For a discussion of our impairment charge recognized during the second quarter of 2014 for Ibero’s *Grand Celebration*, as well as the results of our annual goodwill and trademark impairment reviews as of July 31, 2014, see “Note 4 - Fair Value Measurements, Derivative Instruments and Hedging Activities” in the accompanying consolidated financial statements.

Seasonality

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

Statistical Information

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2014	2013	2014	2013
ALBDs (in thousands) (a) (b)	19,671	19,248	56,830	55,220
Occupancy percentage (c)	109.1%	110.7%	104.8%	106.1%
Passengers carried (in thousands)	2,983	2,881	7,943	7,550
Fuel consumption in metric tons (in thousands)	797	807	2,400	2,447
Fuel consumption in metric tons per ALBD	0.041	0.042	0.042	0.044
Fuel cost per metric ton consumed	\$ 650	\$ 674	\$ 654	\$ 678
Currencies				
U.S. dollar to €1	\$ 1.35	\$ 1.32	\$ 1.36	\$ 1.32
U.S. dollar to £1	\$ 1.69	\$ 1.54	\$ 1.67	\$ 1.55
U.S. dollar to Australian dollar	\$ 0.94	\$ 0.92	\$ 0.92	\$ 1.00

- (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 August 31, 2014 compared to the three months ended August 31, 2013, we had a 2.2% capacity increase in ALBDs comprised of a 3.9% capacity increase in our North America brands, partially offset by a minor capacity decrease in our EAA brands. Our North America brands' capacity increase was caused by the full quarter impact from one Princess 3,560-passenger capacity ship delivered in 2014.
- For the nine months ended August 31, 2014 compared to the nine months ended August 31, 2013, we had a 2.9% capacity increase in ALBDs comprised of a 4.9% capacity increase in our North America brands, partially offset by a minor capacity decrease in our EAA brands.
- Our North America brands' capacity increase was caused by:
- the full period impact from one Princess 3,560-passenger capacity ship delivered in 2013;
 - the partial period impact from one Princess 3,560-passenger capacity ship delivered in 2014 and
 - less dry-dock days in 2014 compared to 2013.
- (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 August 31, 2014 ("2014") Compared to Three Months Ended August 31, 2013 ("2013")

Revenues

Consolidated

Cruise passenger ticket revenues made up 75% of our 2014 total revenues. Cruise passenger ticket revenues increased by \$121 million, or 3.4%, to \$3.7 billion in 2014 from \$3.6 billion in 2013.

This increase was caused by:

- \$79 million - 2.2% capacity increase in ALBDs;
- \$71 million - increase in cruise ticket pricing and
- \$59 million - translation impact from a weaker U.S. dollar against the euro, sterling and the Australian dollar ("currency impact").

These increases were partially offset by:

- \$55 million - 1.7 percentage point decrease in occupancy and
- \$32 million - decrease in air transportation revenues from guests who purchased their tickets from us.

The remaining 25% of 2014 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$97 million, or 9.8%, to \$1.1 billion in 2014 from \$987 million in 2013.

This increase was principally due to:

- \$48 million - higher onboard spending by our guests;
- \$22 million - 2.2% capacity increase in ALBDs and
- \$12 million - currency impact.

These increases were partially offset by:

- \$15 million - 1.7 percentage point decrease in occupancy.

Onboard and other revenues included concession revenues of \$335 million in 2014 and \$336 million in 2013.

North America Brands

Cruise passenger ticket revenues made up 75% of our 2014 total revenues. Cruise passenger ticket revenues of \$2.2 billion in 2014 were essentially flat compared to 2013.

There were increases caused by:

- \$85 million - 3.9% capacity increase in ALBDs and
- \$14 million - increase in cruise ticket pricing.

These increases were offset by:

- \$56 million - 2.8 percentage point decrease in occupancy and
- \$41 million - decrease in air transportation revenues from guests who purchased their tickets from us.

The remaining 25% of 2014 total revenues were comprised of onboard and other cruise revenues, which increased by \$82 million, or 12%, to \$742 million in 2014 from \$660 million in 2013. This increase was primarily due to higher onboard spending by our guests, which accounted for \$41 million, and our 3.9% capacity increase in ALBD, which accounted for \$26 million, partially offset by a 2.8 percentage point decrease in occupancy, which accounted for \$17 million. Onboard and other revenues included concession revenues of \$226 million in 2014 and \$229 million in 2013.

EAA Brands

Cruise passenger ticket revenues made up 83% of our 2014 total revenues. Cruise passenger ticket revenues increased by \$123 million, or 8.8%, to \$1.5 billion in 2014 from \$1.4 billion in 2013. This increase was substantially due to an increase in currency impact, which accounted for \$59 million, and an increase in cruise ticket pricing, which accounted for \$57 million. Our cruise ticket pricing increase was driven by improvements at our continental European brands.

The remaining 17% of 2014 total revenues were comprised of onboard and other cruise revenues, which increased by \$12 million, or 4.0%, to \$315 million in 2014 from \$303 million in 2013. This increase was caused by an increase in currency impact, which accounted for \$12 million. Onboard and other revenues included concession revenues of \$109 million in 2014 and \$107 million in 2013.

Costs and Expenses

Consolidated

Operating costs and expenses decreased by \$163 million, or 5.6%, to \$2.8 billion in 2014 from \$2.9 billion in 2013.

This decrease was caused by:

- \$176 million - nonrecurrence in 2014 of impairment charges related to *Costa Classica* and *Costa Voyager*;
- \$39 million - decrease in air transportation costs related to guests who purchased their tickets from us;
- \$38 million - lower dry-dock and other ship repair and maintenance expenses;
- \$19 million - lower fuel prices;
- \$18 million - lower fuel consumption per ALBD and
- \$16 million - 1.7 percentage point decrease in occupancy.

These decreases were partially offset by:

- \$62 million - 2.2% capacity increase in ALBDs;

- \$33 million - currency impact and
- \$48 million - various other operating expenses, net.

Selling and administrative expenses increased by \$42 million, or 9.6%, to \$481 million in 2014 from \$439 million in 2013.

Depreciation and amortization expenses increased by \$8 million, or 2.0%, to \$414 million in 2014 from \$406 million in 2013.

Our total costs and expenses as a percentage of revenues decreased to 73.8% in 2014 from 79.9% in 2013. Our total costs and expenses as a percentage of revenues decreased to 73.8% in 2014 from 76.2% in 2013, excluding the 2013 ship impairment charges related to *Costa Classica* and *Costa Voyager*.

North America Brands

Operating costs and expenses decreased slightly by \$8 million and remained at \$1.7 billion in both 2014 and 2013.

This decrease was caused by:

- \$44 million - decrease in air transportation costs related to guests who purchased their tickets from us;
- \$32 million - lower dry-dock and other ship repair and maintenance expenses;
- \$18 million - 2.8 percentage point decrease in occupancy;
- \$15 million - lower fuel prices and
- \$10 million - lower fuel consumption per ALBD.

These decreases were partially offset by:

- \$66 million - 3.9% capacity increase in ALBDs and
- \$45 million - various other operating expenses, net.

Our total costs and expenses as a percentage of revenues decreased to 75.2% in 2014 from 76.5% in 2013.

EAA Brands

Operating costs and expenses decreased by \$156 million, or 14%, to \$977 million in 2014 from \$1.1 billion in 2013.

This decrease was caused by:

- \$176 million - nonrecurrence in 2014 of impairment charges related to *Costa Classica* and *Costa Voyager*;
- \$9 million - lower fuel consumption per ALBD and
- \$28 million - various other operating expenses, net.

These decreases were partially offset by:

- \$33 million - currency impact and
- \$24 million - increases in commissions, transportation and other related expenses.

Our total costs and expenses as a percentage of revenues decreased to 70.5% in 2014 from 86.0% in 2013. Our total costs and expenses as a percentage of revenues decreased to 70.5% in 2014 from 75.6% in 2013, excluding the 2013 ship impairment charges related to *Costa Classica* and *Costa Voyager*.

Operating Income

Our consolidated operating income increased by \$347 million, or 36%, to \$1.3 billion in 2014 from \$951 million in 2013. Our North America brands' operating income increased by \$58 million, or 8.6%, to \$730 million in 2014 from \$672 million in 2013, and our EAA brands' operating income increased by \$304 million, or 127%, to \$543 million in 2014 from \$239 million in 2013. These changes were primarily due to the reasons discussed above.

Nonoperating Income

Net gains on fuel derivatives were \$15 million and \$64 million in 2014 and 2013, respectively.

Key Performance Non-GAAP Financial Indicators

We use net cruise revenues per ALBD ("net revenue yields"), net cruise costs per ALBD and net cruise costs excluding fuel per ALBD as significant non-GAAP financial measures of our cruise segments' financial performance. These measures enable us to

separate the impact of predictable capacity changes from the more unpredictable rate changes that affect our business and gains and losses on ship sales and ship impairments, net that are not part of our core operating business. We believe these non-GAAP measures provide useful information to investors and expanded insight to measure our revenue and cost performance as a supplement to our U.S. generally accepted accounting principles (“U.S. GAAP”) consolidated financial statements.

Net revenue yields are commonly used in the cruise industry to measure a company’s cruise segment revenue performance and for revenue management purposes. We use “net cruise revenues” rather than “gross cruise revenues” to calculate net revenue yields. We believe that net cruise revenues is a more meaningful measure in determining revenue yield than gross cruise revenues because it reflects the cruise revenues earned net of our most significant variable costs, which are travel agent commissions, cost of air and other transportation, certain other costs that are directly associated with onboard and other revenues and credit card fees. Substantially all of our remaining cruise costs are largely fixed, except for the impact of changing prices and food expenses, once our ship capacity levels have been determined.

Net passenger ticket revenues reflect gross passenger ticket revenues, net of commissions, transportation and other costs. Net onboard and other revenues reflect gross onboard and other revenues, net of onboard and other cruise costs. Net passenger ticket revenue yields and net onboard and other revenue yields are computed by dividing net passenger ticket revenues and net onboard and other revenues by ALBDs.

Net cruise costs per ALBD and net cruise costs excluding fuel per ALBD are the most significant measures we use to monitor our ability to control our cruise segments’ costs rather than gross cruise costs per ALBD. We exclude the same variable costs that are included in the calculation of net cruise revenues to calculate net cruise costs with and without fuel to avoid duplicating these variable costs in our non-GAAP financial measures. In addition, we exclude gains and losses on ship sales and ship impairments, net from our calculation of net cruise costs with and without fuel as they are not considered part of our core operating business and, therefore, are not an indication of our future earnings performance. As such, we also believe it is more meaningful for gains and losses on ship sales and ship impairments, net to be excluded from our net income and earnings per share and, accordingly, we present non-GAAP net income and non-GAAP earnings per share excluding these items.

In addition, because our EAA cruise brands utilize the euro, sterling and Australian dollar to measure their results and financial condition, the translation of those operations to our U.S. dollar reporting currency results in decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies and increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies. Accordingly, we also monitor and report these non-GAAP financial measures assuming the 2014 periods’ currency exchange rates have remained constant with the 2013 periods’ rates, or on a “constant dollar basis,” in order to remove the impact of changes in exchange rates on the translation of our EAA brands. We believe that this is a useful measure since it facilitates a comparative view of the changes in our business in a fluctuating currency exchange rate environment.

We believe that the trademark and other impairment charges recognized in the three and nine months ended August 31, 2013 are special charges and, therefore, are not an indication of our future earnings performance. As such, we believe it is more meaningful for these impairment charges to be excluded from our net income and earnings per share and, accordingly, we present non-GAAP net income and non-GAAP earnings per share excluding these impairment charges.

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 non-GAAP net income and non-GAAP earnings per share excluding these unrealized gains and losses.

We have not included in our earnings guidance the impact of unrealized gains and losses on fuel derivatives because these unrealized amounts involve a significant amount of uncertainty, and we do not believe they are an indication of our future earnings performance. Accordingly, our earnings guidance is presented on a non-GAAP basis only. As a result, we did not present a reconciliation between forecasted non-GAAP diluted earnings per share guidance and forecasted U.S. GAAP diluted earnings per share guidance, since we do not believe that the reconciliation information would be meaningful. However, we do forecast realized gains and losses on fuel derivatives by applying current Brent prices to the derivatives that settle in the forecast period.

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The presentation of our non-GAAP financial information is not intended to be considered in isolation from, as substitute for, or superior to the financial information prepared in accordance with U.S. GAAP. There are no specific rules for determining our non-GAAP current and constant dollar financial measures and, accordingly, they are susceptible to varying calculations, and it is possible that they may not be exactly comparable to the like-kind information presented by other companies, which is a potential risk associated with using these measures to compare us to other companies.

Consolidated gross and net revenue yields were computed by dividing the gross and net cruise revenues by ALBDs as follows (dollars in millions, except yields):

	Three Months Ended August 31,		
	2014	2014 Constant Dollar	2013
Passenger ticket revenues	\$ 3,719	\$ 3,659	\$ 3,598
Onboard and other revenues	1,084	1,072	987
Gross cruise revenues	4,803	4,731	4,585
Less cruise costs			
Commissions, transportation and other	(638)	(628)	(654)
Onboard and other	(165)	(163)	(144)
	(803)	(791)	(798)
Net passenger ticket revenues	3,081	3,031	2,944
Net onboard and other revenues	919	909	843
Net cruise revenues	\$ 4,000	\$ 3,940	\$ 3,787
ALBDs	19,671,265	19,671,265	19,248,129
Gross revenue yields	\$ 244.14	\$ 240.52	\$ 238.20
% increase vs. 2013	2.5%	1.0%	
Net revenue yields	\$ 203.35	\$ 200.30	\$ 196.79
% increase vs. 2013	3.3%	1.8%	
Net passenger ticket revenue yields	\$ 156.62	\$ 154.08	\$ 152.96
% increase vs. 2013	2.4%	0.7%	
Net onboard and other revenue yields	\$ 46.74	\$ 46.23	\$ 43.83
% increase vs. 2013	6.6%	5.5%	

Consolidated gross and net cruise costs and net cruise costs excluding fuel per ALBD were computed by dividing the gross and net cruise costs and net cruise costs excluding fuel by ALBDs as follows (dollars in millions, except costs per ALBD):

	Three Months Ended August 31,		
	2014	2014 Constant Dollar	2013
Cruise operating expenses	\$ 2,670	\$ 2,637	\$ 2,834
Cruise selling and administrative expenses	479	473	436
Gross cruise costs	3,149	3,110	3,270
Less cruise costs included above			
Commissions, transportation and other	(638)	(628)	(654)
Onboard and other	(165)	(163)	(144)
Ship impairments	—	—	(176)
Net cruise costs	2,346	2,319	2,296
Less fuel	(518)	(518)	(544)
Net cruise costs excluding fuel	\$ 1,828	\$ 1,801	\$ 1,752
ALBDs	19,671,265	19,671,265	19,248,129
Gross cruise costs per ALBD	\$ 160.11	\$ 158.08	\$ 169.89
% decrease vs. 2013	(5.8)%	(7.0)%	
Net cruise costs per ALBD	\$ 119.32	\$ 117.86	\$ 119.34
% decrease vs. 2013	0.0 %	(1.2)%	
Net cruise costs excluding fuel per ALBD	\$ 92.97	\$ 91.51	\$ 91.09
% increase vs. 2013	2.1 %	0.5 %	

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

	Three Months Ended August 31,	
	2014	2013
Net income - diluted		
U.S. GAAP net income	\$ 1,247	\$ 934
Ship impairments	—	176
Trademark and other impairment charges	—	27 (a)
Unrealized gains on fuel derivatives, net	(15)	(64)
Non-GAAP net income	<u>\$ 1,232</u>	<u>\$ 1,073</u>
Weighted-average shares outstanding - diluted	<u>778</u>	<u>777</u>
Earnings per share - diluted		
U.S. GAAP earnings per share	\$ 1.60	\$ 1.20
Ship impairments	—	0.23
Trademark and other impairment charges	—	0.03
Unrealized gains on fuel derivatives, net	(0.02)	(0.08)
Non-GAAP earnings per share	<u>\$ 1.58</u>	<u>\$ 1.38</u>

(a) Includes impairments of \$13 million for Ibero's remaining trademarks and \$14 million related to an investment.

Net cruise revenues increased by \$213 million, or 5.6%, to \$4.0 billion in 2014 from \$3.8 billion in 2013. This increase was caused by our 2.2% capacity increase in ALBDs, which accounted for \$83 million, a 1.8% increase in constant dollar net revenue yields, which accounted for \$68 million, and the currency impact, which accounted for \$60 million. The 1.8% increase in net revenue yields on a constant dollar basis, despite a 1.7 percentage point decrease in occupancy, was caused by a slight increase in net passenger ticket revenue yields and a 5.5% increase in net onboard and other revenue yields. The slight increase in net passenger ticket revenue yields was driven by improvements at our continental European brands, partially offset by our North America brands' continued promotional pricing environment in the Caribbean resulting from the large increase in cruise industry capacity. The 5.5% increase in net onboard and other revenue yields resulted from a 6.1% increase from our North America brands and a 2.3% increase from our EAA brands, which included increases in substantially all net onboard and other revenue categories. Gross cruise revenues increased by \$218 million, or 4.8%, to \$4.8 billion in 2014 from \$4.6 billion in 2013 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by \$76 million, or 4.3%, and remained at \$1.8 billion in both 2014 and 2013. This increase was caused by our 2.2% capacity increase in ALBDs, which accounted for \$39 million, the currency impact, which accounted for \$29 million, and a slight increase in constant dollar net cruise costs excluding fuel per ALBD, which accounted for \$8 million.

Fuel costs decreased by \$26 million, or 4.8%, to \$518 million in 2014 from \$544 million in 2013. This was caused by lower fuel prices, which accounted for \$19 million, and lower fuel consumption per ALBD, which accounted for \$18 million, partially offset by our 2.2% capacity increase in ALBDs, which accounted for \$12 million.

Gross cruise costs decreased by \$121 million, or 3.7%, to \$3.1 billion in 2014 from \$3.3 billion in 2013 for principally the same reasons as discussed above.

Nine Months Ended August 31, 2014 ("2014") Compared to Nine Months Ended August 31, 2013 ("2013")

Revenues

Consolidated

Cruise passenger ticket revenues made up 75% of our 2014 total revenues. Cruise passenger ticket revenues increased by \$193 million, or 2.2%, to \$9.1 billion in 2014 from \$9.0 billion in 2013.

This increase was caused by:

- \$261 million - 2.9% capacity increase in ALBDs and
- \$152 million - translation impact from a weaker U.S. dollar against the euro and sterling, net of a stronger U.S. dollar against the Australian dollar ("net currency impact").

These increases were partially offset by:

- \$112 million - 1.3 percentage point decrease in occupancy and
- \$91 million - decrease in cruise ticket pricing.

The remaining 25% of 2014 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$169 million, or 6.3%, to \$2.8 billion in 2014 from \$2.7 billion in 2013.

This increase was caused by:

- \$78 million - 2.9% capacity increase in ALBDs;
- \$53 million - higher onboard spending by our guests;
- \$27 million - net currency impact and
- \$20 million - higher other third-party revenues.

These increases were partially offset by:

- \$33 million - 1.3 percentage point decrease in occupancy.

Onboard and other revenues included concession revenues of \$841 million in 2014 and \$842 million in 2013.

North America Brands

Cruise passenger ticket revenues made up 73% of our 2014 total revenues. Cruise passenger ticket revenues decreased slightly by \$30 million and remained at \$5.3 billion in both 2014 and 2013.

This decrease was caused by:

- \$128 million - 2.6 percentage point decrease in occupancy;
- \$106 million - decrease in cruise ticket pricing and
- \$45 million - decrease in air transportation revenues from guests who purchased their tickets from us.

These decreases were partially offset by:

- \$261 million - 4.9% capacity increase in ALBDs.

Our cruise ticket pricing decrease was driven by the continued promotional pricing environment in the Caribbean resulting from the large increase in cruise industry capacity.

The remaining 27% of 2014 total revenues were comprised of onboard and other cruise revenues, which increased by \$157 million, or 8.8%, to \$1.9 billion in 2014 from \$1.8 billion in 2013.

This increase was caused by:

- \$87 million - 4.9% capacity increase in ALBDs;
- \$49 million - higher onboard spending by our guests and
- \$27 million - higher other third-party revenues.

These increases were partially offset by:

- \$43 million - 2.6 percentage point decrease in occupancy.

Onboard and other revenues included concession revenues of \$560 million in both 2014 and 2013.

EAA Brands

Cruise passenger ticket revenues made up 82% of our 2014 total revenues. Cruise passenger ticket revenues increased by \$225 million, or 6.2%, to \$3.9 billion in 2014 from \$3.6 billion in 2013.

This increase was caused by:

- \$152 million - net currency impact;
- \$42 million - increase in air transportation revenues from guests who purchased their tickets from us;
- \$21 million - slight percentage point increase in occupancy and
- \$15 million - increase in cruise ticket pricing.

The remaining 18% of 2014 total revenues were comprised of onboard and other cruise revenues, which increased by \$22 million, or 2.7%, to \$840 million in 2014 from \$818 million in 2013. This increase was caused by an increase in net currency impact, which

accounted for \$27 million. Onboard and other revenues included concession revenues of \$280 million in 2014 and \$282 million in 2013.

Costs and Expenses

Consolidated

Operating costs and expenses decreased by \$97 million, or 1.2%, to \$7.9 billion in 2014 from \$8.0 billion in 2013.

This decrease was caused by:

- \$176 million - nonrecurrence in 2014 of impairment charges related to *Costa Classica* and *Costa Voyager*;
- \$80 million - lower fuel consumption per ALBD;
- \$62 million - decreases in commissions, transportation and other related expenses principally due to lower cruise ticket pricing and a decrease in air transportation costs related to guests who purchased their tickets from us;
- \$58 million - lower fuel prices;
- \$53 million - nonrecurrence in 2014 of additional costs and expenses related to the 2013 voyage disruptions, net of third-party insurance recoverables of \$14 million;
- \$37 million - gain from the sale of *Costa Voyager* and
- \$36 million - 1.3 percentage point decrease in occupancy.

These decreases were partially offset by:

- \$230 million - 2.9% capacity increase in ALBDs;
- \$95 million - net currency impact;
- \$39 million - higher dry-dock and other ship repair and maintenance expenses;
- \$22 million - impairment charge related to *Grand Celebration* and
- \$15 million - nonrecurrence in 2014 of a gain in our Tour and Other segment from the 2013 sale of a former Holland America Line ship, which was on charter to an unaffiliated entity.

Selling and administrative expenses increased by \$160 million, or 12%, to \$1.5 billion in 2014 from \$1.3 billion in 2013. The increase was primarily due to higher advertising spend, which accounted for \$42 million, our 2.9% capacity increase in ALBDs, which accounted for \$39 million, and the net currency impact, which accounted for \$20 million.

Depreciation and amortization expenses increased by \$41 million, or 3.5%, and remained at \$1.2 billion in both 2014 and 2013.

Our total costs and expenses as a percentage of revenues decreased to 87.5% in 2014 from 89.4% in 2013.

North America Brands

Operating costs and expenses increased by \$79 million, or 1.7%, to \$4.8 billion in 2014 from \$4.7 billion in 2013.

This increase was caused by:

- \$232 million - 4.9% capacity increase in ALBDs;
- \$39 million - nonrecurrence in 2014 of an intersegment transaction, which was fully offset in our Cruise Support segment;
- \$36 million - higher dry-dock and other ship repair and maintenance expenses and
- \$45 million - various other operating expenses, net.

These increases were partially offset by:

- \$90 million - decreases in commissions, transportation and other related expenses caused by lower cruise ticket pricing and a decrease in air transportation costs related to guests who purchased their tickets from us;
- \$53 million - nonrecurrence in 2014 of additional costs and expenses related to the 2013 voyage disruptions, net of third-party insurance recoverables of \$14 million;
- \$44 million - lower fuel consumption per ALBD;
- \$44 million - lower fuel prices and
- \$42 million - 2.6 percentage point decrease in occupancy.

Selling and administrative expenses increased by \$86 million, or 11%, to \$848 million in 2014 from \$762 million in 2013. The increase was substantially due to higher advertising spend, which accounted for \$40 million, and our 4.9% capacity increase in ALBDs, which accounted for \$38 million.

Our total costs and expenses as a percentage of revenues increased to 88.1% in 2014 from 87.0% in 2013.

EAA Brands

Operating costs and expenses decreased by \$158 million, or 5.0%, to \$3.0 billion in 2014 from \$3.1 billion in 2013.

This decrease was caused by:

- \$176 million - nonrecurrence in 2014 of impairment charges related to *Costa Classica* and *Costa Voyager*;
- \$38 million - lower fuel consumption per ALBD;
- \$37 million - gain from the sale of *Costa Voyager*;
- \$15 million - lower fuel prices and
- \$42 million - various other operating expenses, net.

These decreases were partially offset by:

- \$95 million - net currency impact;
- \$33 million - increase in air transportation costs related to guests who purchased their tickets from us and
- \$22 million - impairment charge related to *Grand Celebration*.

Our total costs and expenses as a percentage of revenues decreased to 84.6% in 2014 from 91.9% in 2013.

Operating Income

Our consolidated operating income increased by \$276 million, or 22%, to \$1.5 billion in 2014 from \$1.2 billion in 2013. Our North America brands' operating income decreased by \$63 million, or 6.8%, to \$859 million in 2014 from \$922 million in 2013, and our EAA brands' operating income increased by \$365 million, or 101%, to \$726 million in 2014 from \$361 million in 2013. These changes were primarily due to the reasons discussed above.

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 (dollars in millions, except yields):

	Nine Months Ended August 31,		
	2014	2014 Constant Dollar	2013
Passenger ticket revenues	\$ 9,144	\$ 8,992	\$ 8,951
Onboard and other revenues	2,839	2,812	2,670
Gross cruise revenues	11,983	11,804	11,621
Less cruise costs			
Commissions, transportation and other	(1,779)	(1,745)	(1,777)
Onboard and other	(392)	(388)	(385)
	(2,171)	(2,133)	(2,162)
Net passenger ticket revenues	7,365	7,247	7,174
Net onboard and other revenues	2,447	2,424	2,285
Net cruise revenues	\$ 9,812	\$ 9,671	\$ 9,459
ALBDs	56,829,605	56,829,605	55,220,366
Gross revenue yields	\$ 210.85	\$ 207.70	\$ 210.44
% increase (decrease) vs. 2013	0.2 %	(1.3)%	
Net revenue yields	\$ 172.65	\$ 170.17	\$ 171.28
% increase (decrease) vs. 2013	0.8 %	(0.6)%	
Net passenger ticket revenue yields	\$ 129.60	\$ 127.53	\$ 129.91
% decrease vs. 2013	(0.2)%	(1.8)%	
Net onboard and other revenue yields	\$ 43.05	\$ 42.65	\$ 41.37
% increase vs. 2013	4.1 %	3.1 %	

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):

	Nine Months Ended August 31,		
	2014	2014 Constant Dollar	2013
Cruise operating expenses	\$ 7,776	\$ 7,681	\$ 7,890
Cruise selling and administrative expenses	1,501	1,481	1,341
Gross cruise costs	9,277	9,162	9,231
Less cruise costs included above			
Commissions, transportation and other	(1,779)	(1,745)	(1,777)
Onboard and other	(392)	(388)	(385)
Gains (loss) on ship sales and ship impairments, net	15	14	(178)
Net cruise costs	7,121	7,043	6,891
Less fuel	(1,569)	(1,569)	(1,659)
Net cruise costs excluding fuel	\$ 5,552	\$ 5,474	\$ 5,232
ALBDs	56,829,605	56,829,605	55,220,366
Gross cruise costs per ALBD	\$ 163.24	\$ 161.21	\$ 167.17
% decrease vs. 2013	(2.4)%	(3.6)%	
Net cruise costs per ALBD	\$ 125.29	\$ 123.93	\$ 124.79
% increase (decrease) vs. 2013	0.4 %	(0.7)%	
Net cruise costs excluding fuel per ALBD	\$ 97.69	\$ 96.32	\$ 94.76
% increase vs. 2013	3.1 %	1.6 %	

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

	Nine Months Ended August 31,	
	2014	2013
Net income - diluted		
U.S. GAAP net income	\$ 1,338	\$ 1,012
(Gains) on ship sales and ship impairments, net	(15) (a)	163 (b)
Trademark and other impairment charges	—	27
Unrealized gains on fuel derivatives, net	(8)	(5)
Non-GAAP net income	<u>\$ 1,315</u>	<u>\$ 1,197</u>
Weighted-average shares outstanding - diluted	<u>778</u>	<u>777</u>
Earnings per share - diluted		
U.S. GAAP earnings per share	\$ 1.72	\$ 1.30
(Gains) loss on ship sales and ship impairments, net	(0.02) (a)	0.21 (b)
Trademark and other impairment charges	—	0.03
Unrealized gains on fuel derivatives, net	(0.01)	—
Non-GAAP earnings per share	<u>\$ 1.69</u>	<u>\$ 1.54</u>

- (a) Represents a \$37 million gain from the sale of *Costa Voyager*, partially offset by an impairment charge of \$22 million related to *Grand Celebration*.
- (b) Substantially due to \$176 million of impairment charges related to *Costa Classica* and *Costa Voyager*, partially offset by a \$15 million gain in our Tour and Other segment from the sale of a former Holland America Line ship, which was on charter to an unaffiliated entity.

Net cruise revenues increased by \$353 million, or 3.7%, to \$9.8 billion in 2014 from \$9.5 billion in 2013. This increase was caused by our 2.9% capacity increase in ALBDs, which accounted for \$276 million, and the net currency impact, which accounted for \$140 million, partially offset by a slight decrease in constant dollar net revenue yields, which accounted for \$63 million. The slight decrease in net revenue yields on a constant dollar basis was caused by a 1.8% decrease in net passenger ticket revenue yields, partially offset by a 3.1% increase in net onboard and other revenue yields. The 1.8% decrease in net passenger ticket revenue yields was caused by a 3.9% net yield decrease from our North America brands' continued promotional pricing environment in the Caribbean resulting from the large increase in cruise industry capacity, partially offset by a 1.5% net yield increase from our EAA brands, which was driven by improvements at our continental European brands. The 3.1% increase in net onboard and other revenue yields resulted from a 3.6% increase from our North America brands and a 2.4% increase from our EAA brands. Gross cruise revenues increased by \$362 million, or 3.1%, to \$12.0 billion in 2014 from \$11.6 billion in 2013 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by \$320 million, or 6.1%, to \$5.6 billion in 2014 from \$5.2 billion in 2013. The increase was caused by our 2.9% capacity increase in ALBDs, which accounted for \$152 million, a 1.6% increase in constant dollar net cruise costs excluding fuel per ALBD, which accounted for \$89 million, and the net currency impact, which accounted for \$78 million.

The 1.6% increase in constant dollar net cruise costs excluding fuel per ALBD was caused by:

- \$42 million - higher advertising spend;
- \$39 million - higher dry-dock and other ship repair and maintenance expenses and
- \$61 million - various other operating expenses, net.

These increases were partially offset by:

- \$53 million - nonrecurrence in 2014 of additional costs and expenses related to the 2013 voyage disruptions, net of third-party insurance recoverables of \$14 million.

Fuel costs decreased by \$90 million, or 5.4%, to \$1.6 billion in 2014 from \$1.7 billion in 2013. This was caused by lower fuel consumption per ALBD, which accounted for \$80 million, and lower fuel prices, which accounted for \$58 million, partially offset by our 2.9% capacity increase in ALBDs, which accounted for \$48 million.

Gross cruise costs increased slightly by \$46 million to \$9.3 billion in 2014 from \$9.2 billion in 2013 for principally the same reasons as discussed above.

Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and increase our return on invested capital, while maintaining a strong balance sheet. Our ability to generate significant operating cash flows allows us to internally fund all of our capital investments. Over time, we expect to have higher levels of free cash flow, which we intend to return to shareholders in the form of additional dividends and opportune share buybacks. We are also committed to maintaining our strong investment grade credit ratings. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity with our available cash and cash equivalents and committed financings for immediate and future liquidity needs, and a reasonable debt maturity profile that is spread over a number of years.

Based on our historical results, projections and financial condition, we believe that our future operating cash flows and liquidity will be sufficient to fund all of our expected capital projects including shipbuilding commitments, ship improvements, debt service requirements, working capital needs and other firm commitments over the next several years. We believe that our ability to generate significant operating cash flows and our strong balance sheet as evidenced by our investment grade credit ratings provide us with the ability in most financial credit market environments to obtain debt financing, as needed. Our future operating cash flows and our ability to issue debt can be adversely impacted by numerous factors outside our control including, but not limited to, those noted under “Cautionary Note Concerning Factors That May Affect Future Results.” If our long-term senior unsecured credit ratings were to be downgraded, our access to, and cost of, debt financing may be negatively impacted.

At August 31, 2014, we had a working capital deficit of \$5.5 billion. This deficit included \$3.1 billion of current customer deposits, which represent the passenger revenues already collected for cruises departing over the next twelve months and, accordingly, are substantially more like deferred revenue balances rather than actual current cash liabilities. Our August 31, 2014 working capital deficit also included \$1.9 billion of current debt obligations. We continue to generate significant cash from operations and have a strong balance sheet. This strong balance sheet provides us with the ability to refinance our current debt obligations before, or as they become due, in most financial credit market environments. We also have our revolving credit facilities available to provide long-term rollover financing should the need arise, or if we choose to do so. After excluding current customer deposits and current debt obligations from our August 31, 2014 working capital deficit balance, our non-GAAP adjusted working capital deficit was \$424 million. Our business model, along with our unsecured revolving credit facilities, allows us to operate with a working capital deficit and still meet our operating, investing and financing needs. We believe we will continue to have working capital deficits for the foreseeable future.

At November 30, 2013, the U.S. dollar was \$1.63 to sterling, \$1.36 to the euro and \$0.91 to the Australian dollar. Had these November 30, 2013 currency exchange rates been used to translate our August 31, 2014 non-U.S. dollar functional currency operations’ assets and liabilities instead of the August 31, 2014 U.S. dollar exchange rates of \$1.66 to sterling, \$1.31 to the euro and \$0.93 to the Australian dollar, our total assets and liabilities would have been higher by \$295 million and \$160 million, respectively.

Sources and Uses of Cash

Our business provided \$2.8 billion of net cash from operations during the nine months ended August 31, 2014, an increase of \$434 million, or 18%, compared to \$2.4 billion for the same period in 2013. This increase was caused by less cash being used for our working capital needs and more cash being provided from our operating results.

During the nine months ended August 31, 2014, our expenditures for capital projects were \$1.7 billion, of which \$897 million was spent on our ongoing new shipbuilding program, primarily for *Regal Princess*. In addition to our new shipbuilding program, we had capital expenditures of \$551 million for ship improvements and replacements and \$230 million for buildings and improvements, information technology and other assets. Furthermore, during the nine months ended August 31, 2014, we sold *Costa Voyager* and received \$42 million in cash proceeds.

During the nine months ended August 31, 2014, we borrowed a net \$95 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the period. In addition, during the nine months ended August 31, 2014 we repaid \$1.5 billion of long-term debt, including early repayments of \$339 million of two bank loans and \$409 million of two export credit facilities. Furthermore, during the nine months ended August 31, 2014, we borrowed \$829 million of new long-term debt under an export credit facility and a bank loan. Finally, during the nine months ended August 31, 2014, we paid cash dividends of \$582 million.

Future Commitments and Funding Sources

Our contractual cash obligations as of August 31, 2014 have changed compared to November 30, 2013 primarily as a result of our debt borrowings and repayments and new ship payments as noted above under “Sources and Uses of Cash.” In addition, during the nine months ended August 31, 2014, we entered into an agreement with Fincantieri shipyard for the construction of one ship for Princess. At August 31, 2014, this newbuild has an all-in euro-denominated aggregate cost of approximately \$0.8 billion and is expected to be the only newbuild scheduled to be delivered in 2017.

The year-over-year percentage increase in our capacity for the fourth quarter of 2014 is expected to be 2.4%. The year-over-year percentage increases in our annual capacity for 2014, 2015, 2016 and 2017 are currently expected to be 2.8%, 2.5%, 4.2% and 3.3%, respectively. These percentage increases are expected to result primarily from contracted new ships entering service, partially offset by *Costa Voyager* and *Seabourn Pride* having left the fleet in November 2013 and April 2014, respectively, *Grand Holiday* leaving the fleet by the end of 2014 and *Seabourn Legend* and *Seabourn Spirit* leaving the fleet by May 2015.

At August 31, 2014, we had liquidity of \$6.5 billion. Our liquidity consisted of \$212 million of cash and cash equivalents, which excludes \$224 million of cash used for current operations, \$3.2 billion available for borrowing under our revolving credit facilities, net of our commercial paper borrowings, and two undrawn bank loans, and \$3.1 billion under our committed future financings, which are comprised of ship export credit facilities. Of this \$3.1 billion, \$0.5 billion, \$1.0 billion, and \$1.6 billion are scheduled to be funded in 2014, 2015 and 2016, respectively. At August 31, 2014, substantially all of our revolving credit facilities were scheduled to mature in 2019, except for \$300 million that matures in 2020. These commitments are from numerous large and well-established banks and export credit agencies, which we believe will honor their contractual agreements with us.

Substantially all of our debt agreements contain financial covenants as described in Note 5 - “Unsecured Debt” in the annual consolidated financial statements, which is included within our 2013 Form 10-K. At August 31, 2014, we believe 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.

At August 31, 2014, 68% and 32% (69% and 31% at November 30, 2013) of our debt was U.S. dollar- and euro-denominated, respectively, including the effect of foreign currency swaps.

During the nine months ended August 31, 2014, we entered into zero cost collar fuel derivatives for 4.5 million barrels of Brent to cover a portion of our estimated fuel consumption for 2017 and 2018. See “Note 4 - Fair Value Measurements, Derivative Instruments and Hedging Activities” in the accompanying consolidated financial statements for additional discussion of these fuel derivatives. At August 31, 2014, the estimated fair value of our outstanding fuel derivative contracts was an asset of \$51 million.

During June 2014, we entered into foreign currency zero cost collars that are designated as cash flow hedges for the remaining unhedged portion of P&O Cruises (UK) *Britannia*’s euro-denominated shipyard payments. These collars mature in February 2015 at a weighted-average ceiling rate of £0.81 to the euro, or \$298 million, and a weighted-average floor rate of £0.79 to the euro, or \$291 million.

For a further discussion of our hedging strategies and market risks, see “Note 4 - Fair Value Measurements, Derivative Instruments and Hedging Activities” in the accompanying consolidated financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations within our 2013 Form 10-K.

Item 4. Controls and Procedures.

A. Evaluation of Disclosure Controls and Procedures

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

Our President and Chief Executive Officer and our Chief Financial Officer have evaluated our disclosure controls and procedures and have concluded, as of August 31, 2014, that they are effective 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 August 31, 2014 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.

In the case of *Sandoval v. Carnival Corporation*, on September 15, 2014 the Court issued an order granting the defendants' motion to dismiss the case based on the *forum non conveniens* doctrine. The case was originally filed on June 25, 2012 in the United States District Court for the Central District of California naming as defendants Carnival Corporation, Costa Crociere S.p.A., Micky Arison, Howard Frank, Arnold Donald, Joseph Farcus and Joseph Farcus, Architect P.A. The plaintiffs had alleged claims for design defect, negligent training and operations and gross negligence stemming from the January 2012 *Costa Concordia* incident.

Item 1A. Risk Factors.

The risk factors that affect our business and financial results are discussed in "Item 1A. Risk Factors," included in the 2013 Form 10-K, and there has been no material change to these risk factors since the 2013 Form 10-K filing. We wish to caution the reader that the risk factors discussed in "Item 1A. Risk Factors," included in the 2013 Form 10-K, and those described elsewhere in this report or other Securities and Exchange Commission filings, could cause future results to differ materially from those stated in any forward-looking statements. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

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

A. Repurchase Authorizations

In September 2007, our Boards of Directors authorized, subject to certain restrictions, the repurchase of up to an aggregate of \$1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares (the "Repurchase Program"). In January 2013, the Boards of Directors increased the remaining \$165 million under the Repurchase Program back to \$1 billion. The Repurchase Program does not have an expiration date and may be discontinued by our Boards of Directors at any time. During the nine months ended August 31, 2014, there were no repurchases of Carnival Corporation common stock or Carnival plc ordinary shares under the Repurchase Program. Since March 2013, the remaining availability under the Repurchase Program has been \$975 million.

In addition to the Repurchase Program, the Boards of Directors authorized, in October 2008, the repurchase of up to 19.2 million Carnival plc ordinary shares and, in January 2013, the repurchase of up to 32.8 million shares of Carnival Corporation common stock under the Stock Swap programs described below. At September 24, 2014, the remaining availability under the Stock Swap programs was 18.1 million Carnival plc ordinary shares and 32.0 million shares of Carnival Corporation common stock.

Carnival plc ordinary share repurchases under both the Repurchase Program and the Stock Swap programs require annual shareholder approval. The existing shareholder approval is limited to a maximum of 21.5 million ordinary shares and is valid until the earlier of the conclusion of the Carnival plc 2015 annual general meeting or October 16, 2015. Depending on market conditions and other factors, we may purchase shares of Carnival Corporation common stock and/or Carnival plc ordinary shares under the Repurchase Program and the Stock Swap programs concurrently.

B. Stock Swap Programs

We use the Stock Swap programs in situations where we can obtain an economic benefit because either Carnival Corporation common stock or Carnival plc ordinary shares are trading at a price that is at a premium or discount to the price of Carnival plc ordinary shares or Carnival Corporation common stock, as the case may be. Any realized economic benefit under the Stock Swap programs is used for general corporate purposes, which could include repurchasing additional stock under the Repurchase Program.

In the event Carnival Corporation common stock trades at a premium to Carnival plc ordinary shares, we may elect to issue and sell shares of Carnival Corporation common stock through a sales agent, from time to time at prevailing market prices in ordinary brokers'

transactions, and use the sale proceeds to repurchase Carnival plc ordinary shares in the UK market on at least an equivalent basis. Based on an authorization provided by the Board of Directors in October 2008, Carnival Corporation was authorized to issue and sell up to 19.2 million shares of its common stock in the U.S. market and had 18.1 million shares remaining at September 24, 2014. Any sales of Carnival Corporation shares have been or will be registered under the Securities Act of 1933.

In the event Carnival Corporation common stock trades at a discount to Carnival plc ordinary shares, we may elect to sell existing ordinary shares of Carnival plc, with such sales made by Carnival Corporation or Carnival Investments Limited, a subsidiary of Carnival Corporation, through a sales agent, from time to time at prevailing market prices in ordinary brokers' transactions, and use the sale proceeds to repurchase shares of Carnival Corporation common stock in the U.S. market on at least an equivalent basis. Based on an authorization provided by the Board of Directors in January 2013, Carnival Corporation or Carnival Investments Limited was authorized to sell up to 32.8 million Carnival plc ordinary shares in the UK market and had 32.0 million shares remaining at September 24, 2014. Any sales of Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933.

During the nine months ended August 31, 2014, no Carnival Corporation common stock or Carnival plc ordinary shares were sold or repurchased under the Stock Swap programs.

Item 6. Exhibits.
INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed/ Furnished Herewith
		Form	Exhibit	Filing Date	
<u>Articles of incorporation and by-laws</u>					
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	
3.4	Memorandum of Association of Carnival plc.	8-K	3.2	4/20/2009	
<u>Material contracts</u>					
10.1	Amendment and Restatement Agreement dated June 16, 2014 in respect of the Multicurrency Revolving Facilities Agreement dated May 18, 2011, among Carnival Corporation, Carnival plc and certain of Carnival Corporation and Carnival plc subsidiaries, Bank of America Merrill Lynch International Limited as facilities agent and a syndicate of financial institutions.				X
10.2*	Employment Agreement dated as of October 14, 2013 between Carnival Corporation, Carnival plc and Arnold W. Donald.				X
<u>Statement regarding computations of ratios</u>					
12	Ratio of Earnings to Fixed Charges.				X
<u>Rule 13a-14(a)/15d-14(a) Certifications</u>					
31.1	Certification of President and Chief Executive Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Financial Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.3	Certification of President and Chief Executive Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.4	Certification of Chief Financial Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
<u>Section 1350 Certifications</u>					
32.1**	Certification of President and Chief Executive Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2**	Certification of Chief Financial Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.3**	Certification of President and Chief Executive Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.4**	Certification of Chief Financial Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
<u>Interactive Data File</u>					
101	The consolidated financial statements from Carnival Corporation & plc's joint Quarterly Report on Form 10-Q for the quarter ended August 31, 2014, as filed with the Securities and Exchange Commission on October 3, 2014 formatted in XBRL, are as follows:				

(i) the Consolidated Statements of Income for the three and nine months ended August 31, 2014 and 2013;	X
(ii) the Consolidated Statements of Comprehensive Income for the three and nine months ended August 31, 2014 and 2013;	X
(iii) the Consolidated Balance Sheets at August 31, 2014 and November 30, 2013;	X
(iv) the Consolidated Statements of Cash Flows for the nine months ended August 31, 2014 and 2013 and	X
(v) the notes to the consolidated financial statements, tagged in summary and detail.	X

* Indicates a compensation plan.

** These items are furnished and not filed.

SIGNATURES

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

CARNIVAL CORPORATION

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

By: /s/ David Bernstein

David Bernstein

Chief Financial Officer

Date: October 3, 2014

CARNIVAL PLC

By: /s/ Arnold W. Donald

Arnold W. Donald

President and Chief Executive Officer

By: /s/ David Bernstein

David Bernstein

Chief Financial Officer

Date: October 3, 2014

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

	Nine Months Ended August 31,	
	2014	2013
Net income	\$ 1,338	\$ 1,012
Income tax expense, net	2	3
Income before income taxes	1,340	1,015
Fixed charges		
Interest expense, net	213	237
Interest portion of rent expense (a)	16	14
Capitalized interest	16	11
Total fixed charges	245	262
Fixed charges not affecting earnings		
Capitalized interest	(16)	(11)
Earnings before fixed charges	\$ 1,569	\$ 1,266
Ratio of earnings to fixed charges	6.4	4.8

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

I, Arnold W. Donald, certify that:

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

Date: October 3, 2014

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

I, David Bernstein, certify that:

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

Date: October 3, 2014

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

I, Arnold W. Donald, certify that:

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

Date: October 3, 2014

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

I, David Bernstein, certify that:

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

Date: October 3, 2014

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended August 31, 2014 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: October 3, 2014

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended August 31, 2014 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: October 3, 2014

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended August 31, 2014 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: October 3, 2014

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended August 31, 2014 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: October 3, 2014

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