

March 29, 2023

**RELEASE OF CARNIVAL CORPORATION & PLC QUARTERLY REPORT ON FORM 10-Q
FOR THE FIRST QUARTER OF 2023**

Carnival Corporation & plc announced its first quarter results of operations in its earnings release issued on March 27, 2023. Carnival Corporation & plc is hereby announcing that today it has filed its joint Quarterly Report on Form 10-Q ("Form 10-Q") with the U.S. Securities and Exchange Commission ("SEC") containing the Carnival Corporation & plc unaudited consolidated financial statements as of and for the three months ended February 28, 2023.

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

Schedule A contains the Carnival Corporation & plc unaudited consolidated financial statements as of and for the three months ended February 28, 2023, management's discussion and analysis ("MD&A") of financial conditions and results of operations, and information on Carnival Corporation and Carnival plc's sales and purchases of their equity securities and use of proceeds from such sales.

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

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

Carnival Corporation & plc is the largest global cruise company, and among the largest leisure travel companies, with a portfolio of world-class cruise lines - AIDA Cruises, Carnival Cruise Line, Costa Cruises, Cunard, Holland America Line, P&O Cruises (Australia), P&O Cruises (UK), Princess Cruises, and Seabourn.

Additional information can be found on www.carnivalcorp.com, www.aida.de, www.carnival.com, www.costacrui.se, www.cunard.com, www.hollandamerica.com, www.pocruises.com.au, www.pocruises.com, www.princess.com and www.seabourn.com. For more information on Carnival Corporation's industry-leading sustainability initiatives, visit www.carnivalsustainability.com.

SCHEDULE A

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

| | Three Months Ended February 28, | |
|---------------------------------------|--|-------------|
| | 2023 | 2022 |
| Revenues | | |
| Passenger ticket | \$2,870 | \$873 |
| Onboard and other | 1,563 | 750 |
| | 4,432 | 1,623 |
| Operating Expenses | | |
| Commissions, transportation and other | 655 | 251 |
| Onboard and other | 484 | 209 |
| Payroll and related | 582 | 506 |
| Fuel | 535 | 365 |
| Food | 311 | 136 |
| Ship and other impairments | - | 8 |
| Other operating | 743 | 557 |
| Cruise and tour operating expenses | 2,211 | 2,026 |

| | | |
|---|------------------------|-------------------------|
| Cruise and tour operating expenses | 3,311 | 4,030 |
| Selling and administrative | 712 | 530 |
| Depreciation and amortization | 582 | 554 |
| | <u>4,604</u> | <u>3,114</u> |
| Operating Income (Loss) | <u>(172)</u> | <u>(1,491)</u> |
| Nonoperating Income (Expense) | | |
| Interest income | 56 | 3 |
| Interest expense, net of capitalized interest | (539) | (368) |
| Other income (expense), net | (30) | (32) |
| | <u>(514)</u> | <u>(397)</u> |
| Income (Loss) Before Income Taxes | <u>(686)</u> | <u>(1,888)</u> |
| Income Tax Benefit (Expense), Net | <u>(7)</u> | <u>(3)</u> |
| Net Income (Loss) | <u><u>\$(693)</u></u> | <u><u>\$(1,891)</u></u> |
| Earnings Per Share | | |
| Basic | <u><u>\$(0.55)</u></u> | <u><u>\$(1.66)</u></u> |
| Diluted | <u><u>\$(0.55)</u></u> | <u><u>\$(1.66)</u></u> |

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

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

| | Three Months Ended | |
|--|---------------------------|-------------------------|
| | February 28, | |
| | 2023 | 2022 |
| Net Income (Loss) | <u>\$(693)</u> | <u>\$(1,891)</u> |
| Items Included in Other Comprehensive Income (Loss) | | |
| Change in foreign currency translation adjustment | (3) | 13 |
| Other | 14 | 2 |
| Other Comprehensive Income (Loss) | <u>11</u> | <u>16</u> |
| Total Comprehensive Income (Loss) | <u><u>\$(682)</u></u> | <u><u>\$(1,876)</u></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)

| | February 28, | November 30, |
|--|------------------------|------------------------|
| | 2023 | 2022 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$5,455 | \$4,029 |
| Restricted cash | 15 | 1,988 |
| Trade and other receivables, net | 514 | 395 |
| Inventories | 448 | 428 |
| Prepaid expenses and other | 710 | 652 |
| Total current assets | <u>7,144</u> | <u>7,492</u> |
| Property and Equipment, Net | 39,359 | 38,687 |
| Operating Lease Right-of-Use Assets | 1,246 | 1,274 |
| Goodwill | 579 | 579 |
| Other Intangibles | 1,158 | 1,156 |
| Other Assets | 2,501 | 2,515 |
| | <u><u>\$51,985</u></u> | <u><u>\$51,703</u></u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Short-term borrowings | \$200 | \$200 |
| Current portion of long-term debt | 2,264 | 2,393 |
| Current portion of operating lease liabilities | 156 | 146 |
| Accounts payable | 1,022 | 1,050 |
| Accrued liabilities and other | 1,951 | 1,942 |

| | | |
|--|-----------------|-----------------|
| Customer deposits | 5,495 | 4,874 |
| Total current liabilities | <u>11,088</u> | <u>10,605</u> |
| Long-Term Debt | 32,672 | 31,953 |
| Long-Term Operating Lease Liabilities | 1,148 | 1,189 |
| Other Long-Term Liabilities | 908 | 891 |
| Contingencies and Commitments | | |
| Shareholders' Equity | | |
| Carnival Corporation common stock, \$0.01 par value; 1,960 shares authorized; 1,246 shares at 2023 and 1,244 shares at 2022 issued | 12 | 12 |
| Carnival plc ordinary shares, \$1.66 par value; 217 shares at 2023 and 2022 issued | 361 | 361 |
| Additional paid-in capital | 16,635 | 16,872 |
| Retained earnings (accumulated deficit) | (434) | 269 |
| Accumulated other comprehensive income (loss) ("AOCI") | (1,972) | (1,982) |
| Treasury stock, 130 shares at 2023 and 2022 of Carnival Corporation and 71 shares at 2023 and 72 shares at 2022 of Carnival plc, at cost | (8,433) | (8,468) |
| Total shareholders' equity | <u>6,170</u> | <u>7,065</u> |
| | <u>\$51,985</u> | <u>\$51,703</u> |

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

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

| | Three Months Ended | |
|---|---------------------------|----------------|
| | February 28, | |
| | 2023 | 2022 |
| OPERATING ACTIVITIES | | |
| Net income (loss) | \$(693) | \$(1,891) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 582 | 554 |
| Impairments | - | 8 |
| (Income) loss from equity-method investments | 11 | 11 |
| Share-based compensation | 9 | 26 |
| Amortization of discounts and debt issue costs | 44 | 46 |
| Noncash lease expense | 35 | 34 |
| Other, net | 7 | 5 |
| | <u>(4)</u> | <u>(1,207)</u> |
| Changes in operating assets and liabilities | | |
| Receivables | (121) | (22) |
| Inventories | (19) | (37) |
| Prepaid expenses and other | (57) | (44) |
| Accounts payable | (35) | (24) |
| Accrued liabilities and other | 28 | (65) |
| Customer deposits | 596 | 187 |
| Net cash provided by (used in) operating activities | <u>388</u> | <u>(1,212)</u> |
| INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (1,075) | (2,730) |
| Proceeds from sales of ships | 23 | 18 |
| Purchase of short-term investments | - | (315) |
| Other, net | 8 | (6) |
| Net cash provided by (used in) investing activities | <u>(1,044)</u> | <u>(3,032)</u> |
| FINANCING ACTIVITIES | | |
| Proceeds from (repayments of) short-term borrowings, net | - | (48) |
| Principal repayments of long-term debt | (679) | (503) |
| Proceeds from issuance of long-term debt | 830 | 2,347 |
| Issuance of common stock, net | - | 15 |
| Issuance of common stock under the Stock Swap Program | - | 27 |
| Purchase of treasury stock under the Stock Swap Program | - | (23) |
| Debt issue costs and other, net | <u>(40)</u> | <u>(86)</u> |

| | | |
|---|---------|---------|
| Net cash provided by (used in) financing activities | 111 | 1,728 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (2) | (8) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (546) | (2,524) |
| Cash, cash equivalents and restricted cash at beginning of period | 6,037 | 8,976 |
| Cash, cash equivalents and restricted cash at end of period | \$5,491 | \$6,452 |

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

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

| | Three Months Ended | | | | | | |
|---|--------------------|--------------------|----------------------------------|--|-----------|-------------------|----------------------------------|
| | Common stock | Ordinary shares | Additional paid-in capital | Retained earnings (accumulated deficit) | AOCI | Treasury stock | Total shareholders' equity |
| At November 30, 2021 | \$11 | \$361 | \$15,292 | \$6,448 | \$(1,501) | \$(8,466) | \$12,144 |
| Net income (loss) | - | - | - | (1,891) | - | - | (1,891) |
| Other comprehensive income (loss) | - | - | - | - | 16 | - | 16 |
| Issuances of common stock, net | - | - | 15 | - | - | - | 15 |
| Purchases and issuances under the Stock Swap program, net | - | - | 27 | - | - | (25) | 2 |
| Issuance of treasury shares for vested share-based awards | - | - | - | (63) | - | 63 | - |
| Share-based compensation and other | - | - | 26 | - | - | - | 26 |
| At February 28, 2022 | \$11 | \$361 | \$15,360 | \$4,493 | \$(1,486) | \$(8,428) | \$10,311 |
| At November 30, 2022 | \$12 | \$361 | \$16,872 | \$269 | \$(1,982) | \$(8,468) | \$7,065 |
| Change in accounting principle (a) | - | - | (229) | (10) | - | - | (239) |
| Net income (loss) | - | - | - | (693) | - | - | (693) |
| Other comprehensive income (loss) | - | - | - | - | 11 | - | 11 |
| Issuance of treasury shares for vested share-based awards | - | - | (36) | - | - | 36 | - |
| Share-based compensation and other | - | - | 28 | - | - | (1) | 27 |
| At February 28, 2023 | \$12 | \$361 | \$16,635 | \$(434) | \$(1,972) | \$(8,433) | \$6,170 |

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

- (a) We adopted the provisions of *Debt - Debt with Conversion and Other Options and Derivative and Hedging - Contracts in Entity's Own Equity* on December 1, 2022.

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

NOTE 1 - General

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

Liquidity and Management's Plans

In the face of the global impact of COVID-19, we paused our guest cruise operations in March 2020 and began resuming guest cruise operations in 2021.

As part of our liquidity management, we rely on estimates of our future liquidity, which includes numerous assumptions that are subject to various risks and uncertainties. The principal assumptions used to estimate our future liquidity consist of:

- Our continued cruise operations and expected timing of cash collections for cruise bookings
- Expected increases in revenue in 2023 on a per passenger basis compared to 2019
- Expected improvement in occupancy on a year-over-year basis returning to historical levels in the summer of 2023
- Stabilization of fuel prices around or below November 2022 year-end prices
- Continued stabilization of inflationary pressures on costs compared to 2022, moderated by a larger-more efficient fleet as compared to 2019

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

We have a substantial debt balance as a result of the pause in guest cruise operations and require a significant amount of liquidity or cash provided by operating activities to service our debt. In addition, the continued effects of the pandemic, inflation, higher fuel prices, higher interest rates and fluctuations in foreign currency rates are collectively having a material negative impact on our financial results. The full extent of the collective impact of these items is uncertain and may be amplified by our substantial debt balance. We believe we have made reasonable estimates and judgments of the impact of these events within our consolidated financial statements and there may be changes to those estimates in future periods.

For the past three years we have taken appropriate actions to manage our liquidity, including completing various capital market transactions, obtaining relevant financial covenant amendments or waivers (see Note 3 - "Debt"), accelerating the removal of certain ships from the fleet, and during the pause, reducing capital expenditures and operating expenses. As of February 28, 2023, our return to guest cruise operations was essentially complete.

Based on these actions and our assumptions, and considering our \$8.1 billion of liquidity including cash and cash equivalents and borrowings available under our \$1.7 billion, €1.0 billion and £0.2 billion multi-currency revolving credit facility (the "Revolving Facility") at February 28, 2023, we believe that we have sufficient liquidity to fund our obligations and expect to remain in compliance with our financial covenants for at least the next twelve months from the issuance of these financial statements.

We will continue to pursue various opportunities to refinance future debt maturities and/or to extend the maturity dates associated with our existing indebtedness and obtain relevant financial covenant amendments or waivers, if needed.

Basis of Presentation

The Consolidated Statements of Income (Loss), the Consolidated Statements of Comprehensive Income (Loss), the Consolidated Statements of Cash Flows and the Consolidated Statements of Shareholders' Equity for the three months ended February 28, 2023 and 2022, and the Consolidated Balance Sheet at February 28, 2023 are unaudited and, in the opinion of our management, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement. Our interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in the Carnival Corporation & plc 2022 joint Annual Report on Form 10-K ("Form 10-K") filed with the U.S. Securities and Exchange Commission on January 27, 2023. Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year.

Use of Estimates and Risks and Uncertainty

The preparation of our interim consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported and disclosed. The full extent to which the effects of the pandemic, inflation, higher fuel prices, higher interest rates and fluctuations in foreign currency rates will directly or indirectly impact our business, operations, results of operations and financial condition, including our valuation of goodwill and trademarks, impairment of ships and collectability of trade and notes receivables, will depend on future developments that are uncertain. We have made reasonable estimates and judgments of such items within our financial statements and there may be changes to those estimates in future periods.

Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued guidance, *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary optional expedients and exceptions to accounting guidance on contract modifications and hedge accounting to ease entities' financial reporting burdens as the market transitions from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. In December 2022, the FASB deferred the date through which this guidance can be applied from December 31, 2022 to December 31, 2024. The use of LIBOR was phased out at the end of 2021, although the phase-out of U.S. dollar LIBOR for existing agreements has been delayed until June 2023. We continue to monitor developments related to the LIBOR transition and identification of an alternative, market-accepted rate.

As of February 28, 2023, approximately \$5.8 billion of our outstanding indebtedness bears interest at floating rates referenced to U.S. dollar LIBOR with maturity dates extending beyond June 30, 2023. We are currently evaluating our contracts referenced to U.S. dollar LIBOR and working with our creditors on updating credit agreements as necessary to include language regarding the successor or alternate rate to LIBOR. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements during the LIBOR transition period.

The FASB issued guidance, *Debt - Debt with Conversion and Other Options* and *Derivative and Hedging - Contracts in Entity's Own Equity*, which simplifies the accounting for convertible instruments. This guidance eliminates certain models that require separate accounting for embedded conversion features, in certain cases. Additionally, among other changes, the guidance eliminates certain of the conditions for equity classification for contracts in an entity's own equity. The guidance also requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of share settlement for instruments that may be settled in cash or shares, except for certain liability-classified share-based payment awards. On December 1, 2022, we adopted this guidance using the modified retrospective approach to recognize our convertible notes as single unit liability instruments, as they do not qualify as derivatives under ASC 815 and were not issued at a substantial premium. Accordingly, upon adoption we recorded a \$239 million increase to debt, primarily as a result of the reversal of the remaining non-cash convertible debt discount, as well as a reduction of \$229 million to additional paid in capital. The cumulative effect of the adoption of this guidance resulted in a \$10 million decrease to retained earnings.

In September 2022, the FASB issued guidance, *Liabilities-Supplier Finance Programs - Disclosure of Supplier Finance Program Obligations*. This guidance requires that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. This guidance is expected to improve financial reporting by requiring new disclosures about the programs, thereby allowing financial statement users to better consider the effect of the programs on an entity's working capital, liquidity, and cash flows. This guidance is effective for fiscal years beginning after December 15, 2022, except for the amendment on roll forward information which is effective for fiscal years beginning after December 15, 2023. We are currently evaluating the impact of the new guidance on the disclosures to our consolidated financial statements.

NOTE 2 - Revenue and Expense Recognition

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

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

recognized on a completed voyage or pro rata basis as discussed above.

Passenger ticket revenues include fees, taxes and charges collected by us from our guests. The fees, taxes and charges that vary with guest head counts and are directly imposed on a revenue-producing arrangement are expensed in commissions, transportation and other costs when the corresponding revenues are recognized. For the three months ended February 28, 2023 and 2022, fees, taxes, and charges included in commissions, transportation and other costs were \$172 million and \$68 million. The remaining portion of fees, taxes and charges are expensed in other operating expenses when the corresponding revenues are recognized.

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

Customer Deposits

Our payment terms generally require an initial deposit to confirm a reservation, with the balance due prior to the voyage. Cash received from guests in advance of the cruise is recorded in customer deposits and in other long-term liabilities on our Consolidated Balance Sheets. These amounts include refundable deposits. In certain situations, we have provided flexibility to guests by allowing guests to rebook at a future date, receive future cruise credits ("FCCs") or elect to receive refunds in cash. We have at times issued enhanced FCCs. Enhanced FCCs provide the guest with an additional credit value above the original cash deposit received, and the enhanced value is recognized as a discount applied to the future cruise in the period used. We record a liability for unexpired FCCs to the extent we have received and not refunded cash from guests for cancelled bookings. We had total customer deposits of \$5.7 billion as of February 28, 2023 and \$5.1 billion as of November 30, 2022, which includes approximately \$174 million of unredeemed FCCs as of February 28, 2023, of which approximately \$124 million are refundable. Given the uncertainty of travel demand caused by COVID-19 and lack of comparable historical experience of FCC redemptions, we are unable to estimate the amount of FCCs that will be used in future periods or that may be refunded. Refunds payable to guests who have elected cash refunds are recorded in accounts payable. During the three months ended February 28, 2023 and 2022, we recognized revenues of \$2.8 billion and \$1.0 billion related to our customer deposits as of November 30, 2022 and 2021. Our customer deposits balance changes due to the seasonal nature of cash collections, the recognition of revenue, refunds of customer deposits and foreign currency changes.

Trade and Other Receivables

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

Contract Costs

We recognize incremental travel agent commissions and credit and debit card fees incurred as a result of obtaining the ticket contract as assets when paid prior to the start of a voyage. We record these amounts within prepaid expenses and other and subsequently recognize these amounts as commissions, transportation and other at the time of revenue recognition or at the time of voyage cancellation. We had incremental costs of obtaining contracts with customers recognized as assets of \$228 million as of February 28, 2023 and \$218 million as of November 30, 2022.

NOTE 3 - Debt

| <i>(in millions)</i> | Maturity | Rate (a) (b) | February 28, 2023 | November 30, 2022 |
|--|---------------------|---------------------|------------------------------|------------------------------|
| Secured Subsidiary Guaranteed | | | | |
| Notes | | | | |
| Notes | Feb 2026 | 10.5% | \$775 | \$775 |
| EUR Notes | Feb 2026 | 10.1% | 448 | 439 |
| Notes | Jun 2027 | 7.9% | 192 | 192 |
| Notes | Aug 2027 | 9.9% | 900 | 900 |
| Notes | Aug 2028 | 4.0% | 2,406 | 2,406 |
| Loans | | | | |
| EUR floating rate | Jun 2025 | EURIBOR + 3.8% | 823 | 808 |
| Floating rate | Jun 2025 - Oct 2028 | LIBOR + 3.0 - 3.3% | 4,091 | 4,101 |
| Total Secured Subsidiary Guaranteed | | | 9,634 | 9,621 |
| Senior Priority Subsidiary Guaranteed | | | | |
| Notes | May 2028 | 10.4% | 2,030 | 2,030 |
| Unsecured Subsidiary Guaranteed | | | | |
| Revolver | | | | |
| Facility | (c) | LIBOR + 0.7% | 200 | 200 |
| Notes | | | | |
| Convertible Notes | Apr 2023 | 5.8% | 96 | 96 |
| Convertible Notes | Oct 2024 | 5.8% | 426 | 426 |
| Notes | Mar 2026 | 7.6% | 1,450 | 1,450 |
| EUR Notes | Mar 2026 | 7.6% | 527 | 517 |
| Notes | Mar 2027 | 5.8% | 3,500 | 3,500 |
| Convertible Notes | Dec 2027 | 5.8% | 1,131 | 1,131 |
| Notes | May 2029 | 6.0% | 2,000 | 2,000 |
| Notes | Jun 2030 | 10.5% | 1,000 | 1,000 |
| Loans | | | | |

| | | | | |
|---|---------------------|----------------------|-----------------|-----------------|
| Floating rate | Jul 2024 - Sep 2024 | LIBOR + 3.8% | 300 | 590 |
| GBP floating rate | Feb 2025 | SONIA + 0.9% (d) | 418 | 419 |
| EUR floating rate | Apr 2023 - Mar 2026 | EURIBOR + 1.8 - 2.4% | 844 | 827 |
| Export Credit Facilities | | | | |
| Floating rate | Oct 2024 - Dec 2031 | LIBOR + 0.8 - 1.5% | 1,172 | 1,246 |
| Fixed rate | Aug 2027 - Dec 2032 | 2.4 - 3.4% | 3,064 | 3,143 |
| EUR floating rate | Mar 2023 - Nov 2034 | EURIBOR + 0.2 - 1.6% | 3,841 | 3,882 |
| EUR fixed rate | Feb 2031 - Dec 2034 | 1.1 - 3.1% | 3,372 | 2,592 |
| Total Unsecured Subsidiary Guaranteed | | | <u>23,342</u> | <u>23,019</u> |
| Unsecured Notes (No Subsidiary Guarantee) | | | | |
| Notes | Oct 2023 | 7.2% | 125 | 125 |
| Notes | Jan 2028 | 6.7% | 200 | 200 |
| EUR Notes | Oct 2029 | 1.0% | 633 | 620 |
| Total Unsecured Notes (No Subsidiary Guarantee) | | | <u>958</u> | <u>945</u> |
| Total Debt | | | <u>35,963</u> | <u>35,615</u> |
| Less: unamortized debt issuance costs and discounts | | | (828) | (1,069) |
| Total Debt, net of unamortized debt issuance costs and discounts | | | <u>35,135</u> | <u>34,546</u> |
| Less: short-term borrowings | | | (200) | (200) |
| Less: current portion of long-term debt | | | (2,264) | (2,393) |
| Long-Term Debt | | | <u>\$32,672</u> | <u>\$31,953</u> |

- The reference rates for substantially all of our LIBOR and EURIBOR based variable debt have 0.0% to 0.75% floors.
- The above debt table excludes the impact of our interest rate swaps and as of February 28, 2023, it also excludes the impact of our foreign currency swaps. As of November 30, 2022, we had no foreign currency swaps. The interest rates on some of our debt, including our Revolving Facility, fluctuate based on the applicable rating of senior unsecured long-term securities of Carnival Corporation or Carnival plc.
- Amounts outstanding under our Revolving Facility were drawn in 2020 for an initial six-month term. See "Short-Term Borrowings" below.
- The interest rate for the GBP unsecured loan is subject to a credit adjustment spread ranging from 0.03% to 0.28%. The referenced SONIA rate with the credit adjustment spread is subject to a 0% floor.

Carnival Corporation and/or Carnival plc is the primary obligor of all our outstanding debt excluding \$0.5 billion under a term loan facility of Costa Crociere S.p.A. ("Costa"), a subsidiary of Carnival plc, and \$2.0 billion of senior priority notes (the "2028 Senior Priority Notes") issued by Carnival Holdings (Bermuda) Limited ("Carnival Holdings"), a subsidiary of Carnival Corporation.

All our outstanding debt is issued or guaranteed by substantially the same entities with the exception of the following:

- Up to \$250 million of the Costa term loan facility, which is guaranteed by certain subsidiaries of Carnival plc and Costa that do not guarantee our other outstanding debt
- Our 2028 Senior Priority Notes, issued by Carnival Holdings, which does not guarantee our other outstanding debt

As of February 28, 2023, the scheduled maturities of our debt are as follows:

(in millions)

| Year | Principal Payments |
|--------------|--------------------|
| 2Q 2023 (a) | \$785 |
| 3Q 2023 | 465 |
| 4Q 2023 | 529 |
| 2024 (a) (b) | 2,734 |
| 2025 | 4,488 |
| 2026 | 4,611 |
| 2027 | 5,742 |
| Thereafter | 16,611 |
| Total | <u>\$35,963</u> |

- Subsequent to February 28, 2023, we extended the maturity of \$211 million of principal payments from second quarter 2023 to 2024.
- Includes borrowings of \$0.2 billion under our Revolving Facility.

Short-Term Borrowings

As of February 28, 2023 and November 30, 2022, our short-term borrowings consisted of \$0.2 billion under our Revolving Facility. We may continue to re-borrow or otherwise utilize available amounts under the Revolving Facility through August 2024, subject to satisfaction of the conditions in the facility. We had \$2.6 billion available for borrowing under our Revolving Facility as of February 28, 2023. The Revolving Facility also includes an emissions linked margin adjustment whereby, after the initial applicable margin is set per the margin pricing grid, the margin may be adjusted based on performance in achieving certain agreed annual carbon emissions goals. We are required to pay a commitment fee on any unutilized portion.

New Revolving Facility

In February 2023, Carnival Holdings (Bermuda) II Limited ("Carnival Holdings II") entered into a \$2.1 billion multi-currency revolving facility ("New Revolving Facility"). The New Revolving Facility may be utilized beginning on August 6, 2024, and will replace the existing Revolving Facility upon its maturity in August 2024. The termination date of the New Revolving Facility is August 6, 2025, subject to two, mutual one-year extension options. The new facility also contains an accordion feature,

allowing for additional commitments, up to an aggregate of \$2.9 billion, which are the aggregate commitments under our Revolving Facility.

Borrowings under the New Revolving Facility will bear interest at a rate of term SOFR, in relation to any loan in U.S. dollars, EURIBOR, in relation to any loan in euros or daily compounding SONIA, in relation to any loan in sterling, plus a margin based on the long-term credit ratings of Carnival Corporation. The New Revolving Facility also includes an emissions linked margin adjustment whereby, after the initial applicable margin is set per the margin pricing grid, the margin may be adjusted based on performance in achieving certain agreed annual carbon emissions goals. In addition, we are required to pay certain fees on the aggregate unused commitments under the New Revolving Facility and the Revolving Facility.

In connection with the New Revolving Facility, Carnival Corporation, Carnival plc and its subsidiaries will contribute three unencumbered vessels (net book value of \$2.9 billion as of February 28, 2023) to Carnival Holdings II (which must be completed no later than February 28, 2024). Each of the vessels will continue to be operated under one of the Carnival Corporation & plc brands. Carnival Holdings II does not guarantee our other outstanding debt.

Export Credit Facility Borrowings

During the three months ended February 28, 2023, we borrowed \$0.8 billion under an export credit facility due in semi-annual installments through 2034. As of February 28, 2023, the net book value of the vessels subject to negative pledges was \$15.3 billion.

Collateral and Priority Pool

As of February 28, 2023, the net book value of our ships and ship improvements, excluding ships under construction, is \$37.2 billion. Our secured debt is secured on either a first or second-priority basis, depending on the instrument, by certain collateral, which includes vessels and certain assets related to those vessels and material intellectual property (combined net book value of approximately \$23.5 billion, including \$21.8 billion related to vessels and certain assets related to those vessels) as of February 28, 2023 and certain other assets.

As of February 28, 2023, \$8.3 billion in net book value of our ships and ship improvements have been contributed to Carnival Holdings and included in the vessel priority pool of 12 unencumbered vessels (the "Senior Priority Notes Subject Vessels") for our 2028 Senior Priority Notes. As of February 28, 2023, there was no change in the identity of the Senior Priority Notes Subject Vessels.

Covenant Compliance

As of February 28, 2023, our Revolving Facility, unsecured loans and export credit facilities contain certain covenants listed below:

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

As of March 13, 2023, we entered into letter agreements to waive compliance with the Interest Coverage Covenant through the May 31, 2024 testing date under our Revolving Facility and unsecured loans that contain the covenant. In addition, we entered into amendments for substantially all of our export credit facilities to maintain a minimum interest coverage ratio of not less than 2.0 to 1.0 for the May 31, 2024 testing date. We also entered into amendments for certain of our unsecured loans with an aggregate principal amount of \$150 million to maintain a minimum interest coverage ratio of not less than 2.0 to 1.0 for the August 31, 2024 testing date.

At February 28, 2023, we were in compliance with the applicable covenants under our debt agreements. Generally, if an event of default under any debt agreement occurs, then, pursuant to cross default and/or cross-acceleration clauses therein, substantially all of our outstanding debt and derivative contract payables could become due, and our debt and derivative contracts could be terminated. Any financial covenant amendment may lead to increased costs, increased interest rates, additional restrictive covenants and other available lender protections that would be applicable.

NOTE 4 - Contingencies and Commitments

Litigation

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

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

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

As previously disclosed, on May 2, 2019, the Havana Docks Corporation filed a lawsuit against Carnival Corporation in the U.S. District Court for the Southern District of Florida under Title III of the Cuban Liberty and Democratic Solidarity Act, also known as the Helms-Burton Act, alleging that Carnival Corporation "trafficked" in confiscated Cuban property when certain

ships docked at certain ports in Cuba, and that this alleged "trafficking" entitles the plaintiffs to treble damages. The hearings on motions for summary judgment were concluded on January 18, 2022. On March 21, 2022, the court granted summary judgment in favor of Havana Docks Corporation as to liability. On August 31, 2022, the court determined that the trebling provision of the Helms-Burton statute applies to damages and interest and accordingly, we adjusted our estimated liability for this matter. The court held a status conference on September 22, 2022, at which time it was determined that a jury trial is no longer necessary. On December 30, 2022, the court entered judgment against Carnival in the amount of \$110 million plus \$4 million in fees and costs. We have filed a notice of appeal.

As previously disclosed, on April 8, 2020, DeCurtis LLC ("DeCurtis"), a former vendor, filed an action against Carnival Corporation in the U.S. District Court for the Middle District of Florida seeking declaratory relief that DeCurtis is not infringing on several of Carnival Corporation's patents in relation to its OCEAN Medallion systems and technology. The action also raises certain monopolization claims under The Sherman Antitrust Act of 1890, unfair competition and tortious interference, and seeks declaratory judgment that certain Carnival Corporation patents are unenforceable. DeCurtis seeks damages, including its fees and costs, and seeks declarations that it is not infringing and/or that Carnival Corporation's patents are unenforceable. On April 10, 2020, Carnival Corporation filed an action against DeCurtis in the U.S. District Court for the Southern District of Florida for breach of contract, trade secrets violations and patent infringement. Carnival Corporation seeks damages, including its fees and costs, as well as an order permanently enjoining DeCurtis from engaging in such activities. These two cases were consolidated in the Southern District of Florida. On February 8, 2023, the Court granted summary judgment in Carnival's favor on DeCurtis' antitrust, unfair competition, and tortious interference claims. The trial began on February 27, 2023, with the patent issues narrowed to certain claims of one Carnival patent. On March 10, 2023, the jury returned a verdict finding that DeCurtis had breached its contract with Carnival and infringed the asserted claims of the Carnival patent. The jury also found that the same claims of the challenged patent were valid. The jury awarded Carnival a total of \$21 million in damages.

COVID-19 Actions

We have been named in a number of individual actions related to COVID-19. These actions include tort claims based on a variety of theories, including negligence and failure to warn. The plaintiffs in these actions allege a variety of injuries: some plaintiffs confined their claim to emotional distress, while others allege injuries arising from testing positive for COVID-19. A smaller number of actions include wrongful death claims. Substantially all of these individual actions have now been dismissed or settled for immaterial amounts.

As of February 28, 2023, 11 purported class actions have been brought by former guests in several U.S. federal courts, the Federal Court in Australia, and in Italy. These actions include tort claims based on a variety of theories, including negligence, gross negligence and failure to warn, physical injuries and severe emotional distress associated with being exposed to and/or contracting COVID-19 onboard. As of February 28, 2023, nine of these class actions have either been settled individually for immaterial amounts or had their class allegations dismissed by the courts and only the Australian and Italian matters remain.

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

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

Regulatory or Governmental Inquiries and Investigations

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

We have incurred legal and other costs in connection with cyber incidents that have impacted us. The penalties and settlements paid in connection with cyber incidents over the last three years were not material. While these incidents did not have a material adverse effect on our business, results of operations, financial position or liquidity, no assurances can be given about the future and we may be subject to future litigation, attacks or incidents that could have such a material adverse effect.

On March 14, 2022, the U.S. Department of Justice and the U.S. Environmental Protection Agency notified us of potential civil penalties and injunctive relief for alleged Clean Water Act violations by owned and operated vessels covered by the 2013 Vessel General Permit. We are working with these agencies to reach a resolution of this matter. We believe the ultimate outcome will not have a material impact on our consolidated financial statements.

Other Contingent Obligations

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

We have agreements with a number of credit card processors that transact customer deposits related to our cruise vacations. Certain of these agreements allow the credit card processors to request, under certain circumstances, that we provide a reserve fund in cash. Although the agreements vary, these requirements may generally be satisfied either through a withheld percentage of customer payments or providing cash funds directly to the credit card processor. As of February 28, 2023 and November 30, 2022, we had \$1.7 billion in reserve funds related to our customer deposits provided to satisfy these requirements which are included within other assets. We continue to expect to provide reserve funds under these agreements. Additionally, as of February 28, 2023 and November 30, 2022, we had \$229 million in compensating deposits we are required to maintain and \$30 million of cash collateral in escrow which is included within other assets.

Ship Commitments

As of February 28, 2023, we expect the timing of our new ship growth capital commitments to be as follows:

(in millions)

| Year | |
|-------------------|----------------|
| Remainder of 2023 | \$895 |
| 2024 | 2,448 |
| 2025 | 915 |
| Thereafter | - |
| | <u>\$4,258</u> |

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

Fair Value Measurements

Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly

transaction between market participants at the measurement date and is measured using inputs in one of the following three categories:

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

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

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

| (in millions) | February 28, 2023 | | | November 30, 2022 | | | | |
|------------------------|-------------------|------------|-----------------|-------------------|-----------------|------------|-----------------|------------|
| | Carrying Value | Fair Value | | Carrying Value | Fair Value | | | |
| | | Level 1 | Level 2 | | Level 3 | Level 1 | Level 2 | Level 3 |
| Liabilities | | | | | | | | |
| Fixed rate debt (a) | \$24,275 | \$- | \$20,162 | \$- | \$23,542 | \$- | \$18,620 | \$- |
| Floating rate debt (a) | 11,688 | - | 10,007 | - | 12,074 | - | 10,036 | - |
| Total | <u>\$35,963</u> | <u>\$-</u> | <u>\$30,169</u> | <u>\$-</u> | <u>\$35,615</u> | <u>\$-</u> | <u>\$28,656</u> | <u>\$-</u> |

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

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

| (in millions) | February 28, 2023 | | | November 30, 2022 | | | |
|----------------------------------|-------------------|----------------|-------------|-------------------|----------------|------------|------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 | |
| Assets | | | | | | | |
| Cash and cash equivalents | | \$5,455 | \$- | \$- | \$4,029 | \$- | \$- |
| Restricted cash | | 35 | - | - | 1,988 | - | - |
| Derivative financial instruments | | - | 31 | - | - | 1 | - |
| Total | | <u>\$5,491</u> | <u>\$31</u> | <u>\$-</u> | <u>\$6,016</u> | <u>\$1</u> | <u>\$-</u> |
| Liabilities | | | | | | | |
| Derivative financial instruments | | \$- | \$18 | \$- | \$- | \$- | \$- |
| Total | | <u>\$-</u> | <u>\$18</u> | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> |

The restricted cash amount at February 28, 2023 includes \$20 million, which is included in other assets.

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

Valuation of Goodwill and Trademarks

As of February 28, 2023 and November 30, 2022, goodwill for our North America and Australia ("NAA") segment was \$579 million.

| (in millions) | Trademarks | | |
|--------------------|--------------|----------------|----------------|
| | NAA Segment | Europe Segment | Total |
| November 30, 2022 | \$927 | \$224 | \$1,151 |
| Exchange movements | - | 2 | 2 |
| February 28, 2023 | <u>\$927</u> | <u>\$225</u> | <u>\$1,152</u> |

Derivative Instruments and Hedging Activities

| (in millions) | Balance Sheet Location | February 28, 2023 | November 30, 2022 |
|---|-----------------------------|-------------------|-------------------|
| Derivative assets | | | |
| Derivatives designated as hedging instruments | | | |
| Cross currency swaps (a) | Prepaid expenses and other | \$6 | \$- |
| Interest rate swaps (b) | Prepaid expenses and other | 25 | 1 |
| | Other assets | 1 | 1 |
| Total derivative assets | | <u>\$31</u> | <u>\$1</u> |
| Derivative liabilities | | | |
| Derivatives designated as hedging instruments | | | |
| Interest rate swaps (b) | Other long-term liabilities | 18 | - |
| Total derivative liabilities | | <u>\$18</u> | <u>\$-</u> |

- (a) At February 28, 2023, we had a cross currency swap totaling \$643 million that is designated as a hedge of our net investment in foreign operations with euro-denominated functional currencies. At February 28, 2023, this cross currency swap settles through 2024.
- (b) We have interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. These interest rate swap agreements effectively changed \$91 million at February 28, 2023 and \$89 million at November 30, 2022 of EURIBOR-based floating rate euro debt to fixed rate euro debt. During the three months ended February 28, 2023 we entered into interest rate swap agreements which effectively changed \$2.5 billion at February 28, 2023 of LIBOR-based floating rate USD debt to fixed rate USD debt. At February 28, 2023, these interest rate swaps settle through 2027.

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

| | | February 28, 2023 | | | |
|----------------------|----------------------|--|---|--|--------------------|
| <i>(in millions)</i> | Gross Amounts | Gross Amounts Offset in the Balance Sheet | Total Net Amounts Presented in the Balance Sheet | Gross Amounts not Offset in the Balance Sheet | Net Amounts |
| Assets | \$31 | \$- | \$31 | \$- | \$31 |
| Liabilities | \$18 | \$- | \$18 | \$- | \$18 |

| | | November 30, 2022 | | | |
|----------------------|----------------------|--|---|--|--------------------|
| <i>(in millions)</i> | Gross Amounts | Gross Amounts Offset in the Balance Sheet | Total Net Amounts Presented in the Balance Sheet | Gross Amounts not Offset in the Balance Sheet | Net Amounts |
| Assets | \$1 | \$- | \$1 | \$- | \$1 |
| Liabilities | \$- | \$- | \$- | \$- | \$- |

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

| <i>(in millions)</i> | Three Months Ended February 28, | |
|--|--|-------------|
| | 2023 | 2022 |
| Gains (losses) recognized in AOCI: | | |
| Cross currency swaps - net investment hedges - included component | \$15 | \$5 |
| Cross currency swaps - net investment hedges - excluded component | \$(4) | \$(8) |
| Interest rate swaps - cash flow hedges | \$14 | \$3 |
| Gains (losses) reclassified from AOCI - cash flow hedges: | | |
| Interest rate swaps - Interest expense, net of capitalized interest | \$1 | \$(1) |
| Foreign currency zero cost collars - Depreciation and amortization | \$- | \$1 |
| Gains (losses) recognized on derivative instruments (amount excluded from effectiveness testing - net investment hedges) | | |
| Cross currency swaps - Interest expense, net of capitalized interest | \$1 | \$1 |

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

Financial Risks

Fuel Price Risks

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

Foreign Currency Exchange Rate Risks

Overall Strategy

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

Operational Currency Risks

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

Investment Currency Risks

We consider our investments in foreign operations to be denominated in stable currencies and of a long-term nature. We partially mitigate the currency exposure of our investments in foreign operations by designating a portion of our foreign

currency debt and derivatives as hedges of these investments. As of February 28, 2023, we have designated \$418 million of our sterling-denominated debt as non-derivative hedges of our net investments in foreign operations and also had a cross currency swap with a notional amount of \$643 million, which is designated as a hedge of our net investments in foreign operations. For the three months ended February 28, 2023, we recognized \$11 million of gains on these net investment hedges in the cumulative translation adjustment section of other comprehensive income (loss). We also have euro-denominated debt which provides an economic offset for our operations with euro functional currency.

Newbuild Currency Risks

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

At February 28, 2023, our remaining newbuild currency exchange rate risk primarily relates to euro-denominated newbuild contract payments for non-euro functional currency brands, which represent a total unhedged commitment of \$3.7 billion for newbuilds scheduled to be delivered through 2025.

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

Interest Rate Risks

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

Concentrations of Credit Risk

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

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

We also monitor the creditworthiness of travel agencies and tour operators in Australia and Europe and credit and debit card providers to which we extend credit in the normal course of our business. Our credit exposure also includes contingent obligations related to cash payments received directly by travel agents and tour operators for cash collected by them on cruise sales in Australia and most of Europe where we are obligated to honor our guests' cruise payments made by them to their travel agents and tour operators regardless of whether we have received these payments.

Concentrations of credit risk associated with trade receivables and other receivables, charter-hire agreements and contingent obligations are not considered to be material, principally due to the large number of unrelated accounts, the nature of these contingent obligations and their short maturities. Normally, we have not required collateral or other security to support normal credit sales. Historically, we have not experienced significant credit losses, including counterparty nonperformance; however, because of the continued effects the pandemic is having on economies, we have experienced, and may continue to experience, an increase in credit losses.

NOTE 6 - Segment Information

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

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

We have renamed the EA segment given that China has not reopened to international cruise travel. As a result, we have significantly reduced operations in Asia and leveraged the mobility of our cruise ships and our brand portfolio to build alternate deployments. In 2019, our most recent full year of guest cruise operations, China accounted for 7% of our guests.

| | Three Months Ended February 28, | | | | |
|----------------------|--|-------------------------------------|-----------------------------------|--------------------------------------|--------------------------------|
| <i>(in millions)</i> | Revenues | Operating costs and expenses | Selling and administrative | Depreciation and amortization | Operating income (loss) |
| 2023 | | | | | |
| NAA | \$3,078 | \$2,189 | \$440 | \$363 | \$86 |
| Europe | 1,294 | 1,078 | 213 | 169 | (166) |
| Cruise Support | 51 | 25 | 53 | 42 | (69) |
| Tour and Other | 9 | 18 | 5 | 7 | (21) |
| | <u>\$4,432</u> | <u>\$3,311</u> | <u>\$712</u> | <u>\$582</u> | <u>\$(172)</u> |
| 2022 | | | | | |

| | | | | | |
|----------------|----------------|----------------|--------------|--------------|------------------|
| NAA | \$1,126 | \$1,288 | \$344 | \$334 | \$(840) |
| Europe | 457 | 698 | 176 | 181 | (598) |
| Cruise Support | 33 | 28 | 5 | 33 | (34) |
| Tour and Other | 8 | 17 | 6 | 5 | (20) |
| | <u>\$1,623</u> | <u>\$2,030</u> | <u>\$530</u> | <u>\$554</u> | <u>\$(1,491)</u> |

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

| | Three Months Ended February 28, | |
|----------------------|--|----------------|
| | 2023 | 2022 |
| <i>(in millions)</i> | | |
| North America | \$2,696 | \$1,119 |
| Europe | 1,187 | 479 |
| Australia | 338 | 8 |
| Other | 211 | 18 |
| | <u>\$4,432</u> | <u>\$1,623</u> |

NOTE 7 - Earnings Per Share

| | Three Months Ended February 28, | |
|--|--|-------------|
| | 2023 | 2022 |
| <i>(in millions, except per share data)</i> | | |
| Net income (loss) for basic and diluted earnings per share | \$(693) | \$(1,891) |
| Weighted-average shares outstanding | 1,260 | 1,137 |
| Dilutive effect of equity plans | - | - |
| Diluted weighted-average shares outstanding | 1,260 | 1,137 |
| Basic earnings per share | \$(0.55) | \$(1.66) |
| Diluted earnings per share | \$(0.55) | \$(1.66) |

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

| | Three Months Ended February 28, | |
|-------------------------------|--|-------------|
| | 2023 | 2022 |
| <i>(in millions)</i> | | |
| Equity awards | 1 | 3 |
| Convertible Notes | 137 | 52 |
| Total antidilutive securities | <u>138</u> | <u>55</u> |

NOTE 8 - Supplemental Cash Flow Information

| <i>(in millions)</i> | February 28, 2023 | November 30, 2022 |
|--|--------------------------|--------------------------|
| Cash and cash equivalents (Consolidated Balance Sheets) | \$5,455 | \$4,029 |
| Restricted cash (Consolidated Balance Sheets) | 15 | 1,988 |
| Restricted cash (included in other assets) | 20 | 20 |
| Total cash, cash equivalents and restricted cash (Consolidated Statements of Cash Flows) | <u>\$5,491</u> | <u>\$6,037</u> |

NOTE 9 - Property and Equipment

Ship Sales

During the three months ended February 28, 2023 we completed the sale of one Europe segment ship and entered into an agreement to sell one Europe segment ship, which was subsequently completed in March 2023. These ship sales collectively represent a passenger-capacity reduction of 3,970 berths for our Europe segment. Additionally, in March 2023 we sold one NAA segment ship, which represents a passenger-capacity reduction of 460 berths. The net book value of the ships sold subsequent to quarter end was \$186 million and will result in gains on the sales. We will continue to operate the NAA segment ship under a bareboat charter agreement through September 2024.

NOTE 10 - Shareholders' Equity

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

During the three months ended February 28, 2023 under the Stock Swap Program, there were no sales or repurchases. During the three months ended February 28, 2022 under the Stock Swap Program, we sold 1.3 million shares of Carnival Corporation common stock and repurchased the same amount of Carnival plc ordinary shares resulting in net proceeds of \$2 million, which were used for general corporate purposes.

During the three months ended February 28, 2023, there were no sales of Carnival Corporation common stock. During the three months ended February 28, 2022, we sold 0.8 million shares of Carnival Corporation common stock at an average price per share of \$20.18, resulting in net proceeds of \$15 million.

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

Cautionary Note Concerning Factors That May Affect Future Results

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

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

- Pricing
- Booking levels
- Occupancy
- Interest, tax and fuel expenses
- Currency exchange rates
- Goodwill, ship and trademark fair values
- Liquidity and credit ratings
- Estimates of ship depreciable lives and residual values
- Adjusted net income (loss)
- Adjusted EBITDA
- Adjusted earnings per share
- Adjusted free cash flow
- Net per diems
- Net yields
- Adjusted cruise costs per ALBD
- Adjusted cruise costs excluding fuel per ALBD

Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied by our forward-looking statements. This note contains important cautionary statements of the known factors that we consider could materially affect the accuracy of our forward-looking statements and adversely affect our business, results of operations and financial position. Additionally, many of these risks and uncertainties are currently, and in the future may continue to be, amplified by our substantial debt balance as a result of the pause of our guest cruise operations. There may be additional risks that we consider immaterial or which are unknown. These factors include, but are not limited to, the following:

- Events and conditions around the world, including war and other military actions, such as the invasion of Ukraine, inflation, higher fuel prices, higher interest rates and other general concerns impacting the ability or desire of people to travel have led, and may in the future lead, to a decline in demand for cruises, impacting our operating costs and profitability.
- Pandemics have in the past and may in the future have a significant negative impact on our financial condition and operations.
- Incidents concerning our ships, guests or the cruise industry have in the past and may, in the future, negatively impact the satisfaction of our guests and crew and lead to reputational damage.
- Changes in and non-compliance with laws and regulations under which we operate, such as those relating to health, environment, safety and security, data privacy and protection, anti-corruption, economic sanctions, trade protection, labor and employment, and tax have in the past and may, in the future, lead to litigation, enforcement actions, fines, penalties and reputational damage.
- Factors associated with climate change, including evolving and increasing regulations, increasing global concern about climate change and the shift in climate conscious consumerism and stakeholder scrutiny, and increasing frequency and/or severity of adverse weather conditions could adversely affect our business.
- Inability to meet or achieve our sustainability related goals, aspirations, initiatives, and our public statements and disclosures regarding them, may expose us to risks that may adversely impact our business.
- Breaches in data security and lapses in data privacy as well as disruptions and other damages to our principal offices, information technology operations and system networks and failure to keep pace with developments in technology may adversely impact our business operations, the satisfaction of our guests and crew and may lead to reputational damage.
- The loss of key team members, our inability to recruit or retain qualified shoreside and shipboard team members and increased labor costs could have an adverse effect on our business and results of operations.
- Increases in fuel prices, changes in the types of fuel consumed and availability of fuel supply may adversely impact our scheduled itineraries and costs.
- We rely on supply chain vendors who are integral to the operations of our businesses. These vendors and service providers are also affected by COVID-19 and may be unable to deliver on their commitments which could negatively impact our business.
- Fluctuations in foreign currency exchange rates may adversely impact our financial results.
- Overcapacity and competition in the cruise and land-based vacation industry may negatively impact our cruise sales, pricing and destination options.
- Inability to implement our shipbuilding programs and ship repairs, maintenance and refurbishments may adversely impact our business operations and the satisfaction of our guests.
- Failure to successfully implement our business strategy following our resumption of guest cruise operations would negatively impact the occupancy levels and pricing of our cruises and could have a material adverse effect on our business. We require a significant amount of cash to service our debt and sustain our operations. Our ability to generate cash depends on many factors, including those beyond our control, and we may not be able to generate cash required to service our debt and sustain our operations.

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

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

Forward-looking and other statements in this document may also address our sustainability progress, plans and goals (including climate change and environmental-related matters). In addition, historical, current and forward-looking sustainability- and climate-related statements may be based on standards and tools for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions and predictions that are subject to change in the future and may not be generally shared.

New Accounting Pronouncements

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

Critical Accounting Estimates

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

Seasonality

Our passenger ticket revenues are seasonal. Demand for cruises has been greatest during our third quarter, which includes the Northern Hemisphere summer months. This higher demand during the third quarter results in higher ticket prices and occupancy levels and, accordingly, the largest share of our operating income is typically earned during this period. 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 (loss) is generated from May through September in conjunction with Alaska's cruise season.

Known Trends and Uncertainties

- We believe the increased cost of fuel and other related costs are reasonably likely to continue to impact our profitability in both the short and long-term.
- We believe inflation and higher interest rates are reasonably likely to continue to impact our profitability.
- We believe the increasing global focus on climate change, including the reduction of carbon emissions and new and evolving regulatory requirements, is reasonably likely to have a material negative impact on our future financial results. The full impact of climate change to our business is not yet known.

Statistical Information

| | Three Months Ended February 28, | |
|---|------------------------------------|--------|
| | 2023 | 2022 |
| Passenger Cruise Days ("PCDs") (<i>in millions</i>) (a) | 20.2 | 7.2 |
| Available Lower Berth Days ("ALBDs") (<i>in millions</i>) (b) | 22.1 | 13.3 |
| Occupancy percentage (c) | 91% | 54% |
| Passengers carried (<i>in millions</i>) | 2.7 | 1.0 |
| Fuel consumption in metric tons (<i>in millions</i>) | 0.7 | 0.6 |
| Fuel consumption in metric tons per thousand ALBDs | 33.4 | 42.5 |
| Fuel cost per metric ton consumed | \$730 | \$648 |
| Currencies (USD to 1) | | |
| AUD | \$0.69 | \$0.72 |
| CAD | \$0.74 | \$0.79 |
| EUR | \$1.07 | \$1.13 |
| GBP | \$1.22 | \$1.35 |

Notes to Statistical Information

- (a) PCD represents the number of cruise passengers on a voyage multiplied by the number of revenue-producing ship operating days for that voyage.
- (b) ALBD is a standard measure of passenger capacity for the period that we use to approximate rate and capacity variances, based on consistently applied formulas that we use to perform analyses to determine the main non-capacity driven factors that cause our cruise revenues and expenses to vary. ALBDs assume that each cabin we offer for sale accommodates two passengers and is computed by multiplying passenger capacity by revenue-producing ship operating days in the period.
- (c) Occupancy, in accordance with cruise industry practice, is calculated using a numerator of PCDs and 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.

Results of Operations

Consolidated

| <i>(in millions)</i> | Three Months Ended February 28, | | |
|---------------------------------------|------------------------------------|--------------|--------------|
| | 2023 | 2022 | Change |
| Revenues | | | |
| Passenger ticket | \$2,870 | \$873 | \$1,997 |
| Onboard and other | 1,563 | 750 | 812 |
| | <u>4,432</u> | <u>1,623</u> | <u>2,809</u> |
| Operating Costs and Expenses | | | |
| Commissions, transportation and other | 655 | 251 | 404 |
| Onboard and other | 484 | 209 | 275 |
| Payroll and related | 582 | 506 | 77 |

| | | | |
|---|----------------|------------------|----------------|
| Fuel | 535 | 365 | 170 |
| Food | 311 | 136 | 175 |
| Ship and other impairments | - | 8 | (8) |
| Other operating | 743 | 557 | 187 |
| Cruise and tour operating expenses | 3,311 | 2,030 | 1,280 |
| Selling and administrative | 712 | 530 | 182 |
| Depreciation and amortization | 582 | 554 | 28 |
| | 4,604 | 3,114 | 1,490 |
| Operating Income (Loss) | (172) | (1,491) | 1,320 |
| Nonoperating Income (Expense) | | | |
| Interest income | 56 | 3 | 52 |
| Interest expense, net of capitalized interest | (539) | (368) | (171) |
| Other income (expense), net | (30) | (32) | 2 |
| | (514) | (397) | (117) |
| Income (Loss) Before Income Taxes | \$(686) | \$(1,888) | \$1,203 |

NAA

| <i>(in millions)</i> | Three Months Ended February 28, | | |
|--------------------------------|--|----------------|---------------|
| | 2023 | 2022 | Change |
| Revenues | | | |
| Passenger ticket | \$1,892 | \$586 | \$1,306 |
| Onboard and other | 1,187 | 540 | 647 |
| | 3,078 | 1,126 | 1,953 |
| Operating Costs and Expenses | 2,189 | 1,288 | 901 |
| Selling and administrative | 440 | 344 | 96 |
| Depreciation and amortization | 363 | 334 | 29 |
| | 2,993 | 1,966 | 1,027 |
| Operating Income (Loss) | \$86 | \$(840) | \$926 |

Europe

| <i>(in millions)</i> | Three Months Ended February 28, | | |
|--------------------------------|--|----------------|---------------|
| | 2023 | 2022 | Change |
| Revenues | | | |
| Passenger ticket | \$992 | \$341 | \$650 |
| Onboard and other | 302 | 116 | 187 |
| | 1,294 | 457 | 837 |
| Operating Costs and Expenses | 1,078 | 698 | 380 |
| Selling and administrative | 213 | 176 | 37 |
| Depreciation and amortization | 169 | 181 | (12) |
| | 1,460 | 1,055 | 406 |
| Operating Income (Loss) | \$(166) | \$(598) | \$431 |

The effects of the pause in guest cruise operations in March 2020 and subsequent resumption of our guest cruise operations, inflation, higher fuel prices, higher interest rates and fluctuations in foreign currency rates are collectively having a material negative impact on all aspects of our business, including our results of operations, liquidity and financial position. We have a substantial debt balance and require a significant amount of cash to service our debt and sustain our operations. Our ability to generate cash will be affected by our ability to successfully implement our business strategy, which includes increasing our occupancy levels and pricing of our cruises, as well as general macroeconomic, financial, geopolitical, competitive, regulatory and other factors beyond our control. The full extent of these impacts is uncertain and may be amplified by our substantial debt balance.

Three Months Ended February 28, 2023 ("2023") Compared to Three Months Ended February 28, 2022 ("2022")

Revenues

Consolidated

Cruise passenger ticket revenues made up 65% of our total revenues in 2023 while onboard and other revenues made up 35%. Revenues in 2023 increased by \$2.8 billion to \$4.4 billion from \$1.6 billion in 2022 due to the ongoing resumption of guest cruise operations, including the significant increase of ships in service and higher occupancy. As of February 28, 2023, 96% of our capacity was serving guests, compared to 71% as of February 28, 2022. ALBDs increased to 22.1 million in 2023 as compared to 13.3 million in 2022. Occupancy for 2023 was 91% compared to 54% in 2022.

NAA Segment

Cruise passenger ticket revenues made up 61% of our NAA segment's total revenues in 2023 while onboard and other cruise revenues made up 39%. NAA segment revenues in 2023 increased by \$2.0 billion to \$3.1 billion from \$1.1 billion in 2022 due to the ongoing resumption of guest cruise operations, including the significant increase of ships in service and higher occupancy. Our NAA segment's full fleet was serving guests as of February 28, 2023, compared to 69% as of February 28, 2022. ALBDs increased to 13.9 million in 2023 as compared to 8.7 million in 2022. Occupancy for 2023 was 98% compared to 59% in 2022.

Europe Segment

Cruise passenger ticket revenues made up 77% of our Europe segment's total revenues in 2023 while onboard and other cruise revenues made up 23%. Europe segment revenues in 2023 increased by \$0.8 billion to \$1.3 billion from \$0.5 billion in 2022 due to the ongoing resumption of guest cruise operations, including the significant increase of ships in service and higher occupancy. Our Europe segment had 93% of its capacity serving guests as of February 28, 2023, compared to 73% as of February 28, 2022. ALBDs increased to 8.2 million in 2023 as compared to 4.6 million in 2022. Occupancy for 2023 was 80% compared to 45% in 2022.

Operating Cost and Expenses

Consolidated

Operating costs and expenses increased by \$1.3 billion to \$3.3 billion in 2023 from \$2.0 billion in 2022. These increases were driven by our resumption of guest cruise operations and an increase in ships in service.

Fuel costs increased by \$170 million to \$535 million in 2023 from \$365 million in 2022. \$110 million of this increase was driven by higher fuel consumption of 0.2 million metric tons, due to the resumption of guest cruise operations, and \$60 million was driven by a combination of increases in fuel prices and changes in fuel mix of \$81 per metric ton consumed in 2023 compared to 2022.

Selling and administrative expenses increased by \$182 million to \$712 million in 2023 from \$530 million in 2022. The increase was caused by increased administrative expenses and advertising costs incurred as part of our resumption of guest cruise operations.

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

Nonoperating Income (Expense)

Interest expense, net of capitalized interest, increased by \$171 million to \$539 million in 2023 from \$368 million in 2022. The increase was caused by a higher average interest rate and a higher average debt balance in 2023 compared to 2022.

Liquidity, Financial Condition and Capital Resources

As of February 28, 2023, we had \$8.1 billion of liquidity including cash and cash equivalents and borrowings available under our Revolving Facility. We will continue to pursue various opportunities to refinance future debt maturities and/or to extend the maturity dates associated with our existing indebtedness and obtain relevant financial covenant amendments or waivers, if needed.

We had a working capital deficit of \$3.9 billion as of February 28, 2023 compared to working capital deficit of \$3.1 billion as of November 30, 2022. The increase in working capital deficit was caused by an increase in customer deposits and an overall decrease in cash and cash equivalents and restricted cash. We operate with a substantial working capital deficit. This deficit is mainly attributable to the fact that, under our business model, substantially all of our passenger ticket receipts are collected in advance of the applicable sailing date. These advance passenger receipts generally remain a current liability until the sailing date. The cash generated from these advance receipts is used interchangeably with cash on hand from other sources, such as our borrowings and other cash from operations. The cash received as advanced receipts can be used to fund operating expenses, pay down our debt, make long-term investments or any other use of cash. Included within our working capital are \$5.5 billion and \$4.9 billion of customer deposits as of February 28, 2023 and November 30, 2022, respectively. We have agreements with a number of credit card processors that transact customer deposits related to our cruise vacations. Certain of these agreements allow the credit card processors to request, under certain circumstances, that we provide a reserve fund in cash. In addition, we have a relatively low level of accounts receivable and limited investment in inventories.

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

Sources and Uses of Cash

Operating Activities

Our business provided \$0.4 billion of net cash flows in operating activities during the three months ended February 28, 2023, an increase of \$1.6 billion, compared to \$1.2 billion used for the same period in 2022. This was driven by a decrease in the net loss compared to the same period in 2022 and an increase in customer deposits.

Investing Activities

During the three months ended February 28, 2023, net cash used in investing activities was \$1.0 billion. This was driven by:

- Capital expenditures of \$0.8 billion for our ongoing new shipbuilding program
- Capital expenditures of \$243 million for ship improvements and replacements, information technology and buildings and improvements
- Proceeds from sale of ships of \$23 million

During the three months ended February 28, 2022, net cash used in investing activities was \$3.0 billion. This was driven by:

- Capital expenditures of \$2.5 billion for our ongoing new shipbuilding program
- Capital expenditures of \$221 million for ship improvements and replacements, information technology and buildings and improvements
- Proceeds from sale of ships and other of \$18 million
- Purchases of short-term investments of \$315 million

Financing Activities

During the three months ended February 28, 2023, net cash provided by financing activities of \$0.1 billion was caused by:

- Issuances of \$0.8 billion of long-term debt
- Repayments of \$0.7 billion of long-term debt
- Payments of \$40 million related to debt issuance costs

During the three months ended February 28, 2022, net cash provided by financing activities of \$1.7 billion was caused by:

- Issuances of \$2.3 billion of long-term debt
- Repayments of \$503 million of long-term debt
- Payments of \$85 million related to debt issuance costs
- Net repayments of short-term borrowings of \$48 million
- Purchases of \$23 million of Carnival plc ordinary shares and issuances of \$27 million of Carnival Corporation common stock under our Stock Swap Program

Funding Sources

As of February 28, 2023, we had \$8.1 billion of liquidity including \$5.5 billion of cash and cash equivalents and \$2.6 billion of borrowings available under our Revolving Facility, which matures in 2024. In February 2023, Carnival Holdings II entered into the New Revolving Facility, which may be utilized beginning in August 2024, at which date it will replace our existing Revolving Facility. Refer to Note 3 - "Debt" of the consolidated financial statements for additional discussion. In addition, we had \$3.2 billion of undrawn export credit facilities to fund ship deliveries planned through 2025. We plan to use existing liquidity and future cash flows from operations to fund our cash requirements including capital expenditures not funded by our export credit facilities. We seek to manage our credit risk exposures, including counterparty nonperformance associated with our cash and cash equivalents, and future financing facilities by conducting business with well-established financial institutions, and export credit agencies and diversifying our counterparties.

(in billions)

| | 2023 | 2024 | 2025 |
|--|-------|---------|-------|
| Future export credit facilities at February 28, 2023 | \$316 | \$2,165 | \$716 |

Our export credit facilities contain various financial covenants as described in Note 3 - "Debt". At February 28, 2023, we were in compliance with the applicable covenants under our debt agreements.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Interest Rate Risks

The composition of our debt, interest rate swaps and cross currency swaps, was as follows:

| | <u>February 28, 2023</u> |
|-------------------|--------------------------|
| Fixed rate | 59% |
| EUR fixed rate | 16% |
| Floating rate | 9% |
| EUR floating rate | 15% |
| GBP floating rate | 1% |

Item 4. Controls and Procedures.

A. Evaluation of Disclosure Controls and Procedures

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

Our President, Chief Executive Officer and Chief Climate Officer and our Chief Financial Officer and Chief Accounting Officer have evaluated our disclosure controls and procedures and have concluded, as of February 28, 2023, that they are effective at a reasonable level of assurance, as described above.

B. Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended February 28, 2023 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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

On June 20, 2022, Princess Cruises notified the Australian Maritime Safety Authorization ("AMSA") and the flag state, Bermuda, regarding approximately six cubic meters of comminuted food waste (liquid biodigester effluent) inadvertently discharged by *Coral Princess* inside the Great Barrier Reef Marine Park. On June 23, 2022, the UK P&I Club N.V. provided a letter of undertaking for approximately \$1.9 million (being the estimated maximum combined penalty). We believe the ultimate outcome will not have a material impact on our consolidated financial statements.

Item 1A. Risk Factors.

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

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

A. Stock Swap Program

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

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

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

Any sales of Carnival Corporation common stock and Carnival plc ordinary shares have been or will be registered under the Securities Act of 1933, as amended. During the three months ended February 28, 2023, there were no sales or repurchases under the Stock Swap Program. Since the beginning of the Stock Swap Program, first authorized in June 2021, we have sold 14.9 million shares of Carnival Corporation common stock and repurchased the same amount of Carnival plc ordinary shares, resulting in net proceeds of \$27 million. No ordinary shares of Carnival plc were purchased outside of publicly announced plans or programs.

B. Repurchases

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

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