

Bacterin International Holdings, Inc.  
Form D  
May 03, 2011

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- \$28 million - increase in air transportation revenues from guests who purchased their tickets from us;  
\$17 million - increase in cruise ticket prices, driven primarily by improvements in our Caribbean and Alaskan programs for our North America segment and European programs for our EAA segment, partially offset by yield reductions in Asia and Australia deployments and unfavorable foreign currency transactional movements and  
\$16 million - a slight increase in occupancy.

These increases were partially offset by foreign currency translational impact from a stronger U.S. dollar against the euro, sterling and the Australian dollar ("foreign currency translational impact"), which accounted for \$62 million.

The remaining 25% of 2016 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$44 million, or 4.0%, and remained at \$1.1 billion in both 2016 and 2015. This increase was driven by 3.9% capacity increase in ALBDs, which accounted for \$43 million.

Onboard and other revenues included concession revenues that decreased to \$321 million in 2016 from \$334 million in 2015.

#### North America Segment

Cruise passenger ticket revenues made up 75% of our North America segment's 2016 total revenues. Cruise passenger ticket revenues increased by \$133 million, or 5.9%, to \$2.4 billion in 2016 compared to \$2.2 billion in 2015.

The increase was caused by:

- \$52 million - 2.3% capacity increase in ALBDs;
- \$39 million - increase in air transportation revenues from guests who purchased their tickets from us;
- \$30 million - increase in cruise ticket pricing, partially offset by unfavorable foreign currency transactional impacts and
- \$12 million - a slight increase in occupancy.

The remaining 25% of our North America segment's 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$36 million, or 4.7%, to \$808 million in 2016 from \$772 million in 2015.

This increase was driven by:

- \$18 million - 2.3% capacity increase in ALBDs and
- \$13 million - higher onboard spending by our guests.

Onboard and other revenues included concession revenues that decreased to \$223 million in 2016 from \$231 million in 2015.

#### EAA Segment

Cruise passenger ticket revenues made up 83% of our EAA segment's 2016 total revenues. Cruise passenger ticket revenues increased by \$43 million, or 3.1% and remained at \$1.4 billion in both 2016 and 2015.

This increase was caused by:

- \$90 million - 6.4% capacity increase in ALBDs and
- \$38 million - the accounting reclassification.

These increases were partially offset by:

- \$62 million - foreign currency translational impact;
- \$19 million - decrease in cruise ticket pricing driven by unfavorable foreign currency transactional impacts and
- \$12 million - decrease in air transportation revenues from guests who purchased their tickets from us.

The remaining 17% of our EAA segment's 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$4 million, or 1.2%, to \$300 million in 2016 from \$296 million in 2015. The increase was caused by a 6.4% capacity increase in ALBDs, which accounted for \$19 million, partially offset by foreign currency translational impact, which accounted for \$12 million.

Onboard and other revenues included concession revenues that decreased to \$98 million in 2016 from \$103 million in 2015.

#### Costs and Expenses

##### Consolidated

Operating costs and expenses increased by \$73 million, or 3.0%, to \$2.6 billion in 2016 from \$2.5 billion in 2015.

This increase was caused by:

- \$95 million - 3.9% capacity increase in ALBDs;
- \$40 million - higher dry-dock expenses and other ship repair and maintenance expenses;
- \$38 million - the accounting reclassification and
- \$26 million - higher air costs.

These increases were partially offset by:

- \$83 million - lower fuel prices;
- \$33 million - foreign currency translational impact and
- \$11 million - lower fuel consumption.

Selling and administrative expenses increased by \$45 million, or 9.4% to \$529 million in 2016 from \$484 million in 2015.

This increase was caused by:

- \$33 million - various selling and administrative initiatives and
- \$19 million - 3.9% capacity increase in ALBDs.

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Depreciation and amortization expenses increased by \$44 million, or 10.8%, to \$443 million in 2016 from \$399 million in 2015. This increase was due to changes in capacity and improvements to existing ships and shoreside assets.

Total costs and expenses as a percentage of revenues remained at 69% in both 2016 and 2015.

North America Segment

Operating costs and expenses increased by \$17 million, or 1.1%, to \$1.6 billion in 2016 from \$1.5 billion in 2015.

This increase was caused by:

\$36 million - 2.3% capacity increase in ALBDs;

\$36 million - higher air costs and

\$25 million - higher ship repair and maintenance expenses.

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These increases were partially offset by lower fuel prices, which accounted for \$50 million, and quarterly timing of various other operating expenses, net, which accounted for \$30 million.

Selling and administrative expenses increased by \$22 million, or 8.0% to \$293 million in 2016 from \$271 million in 2015. This increase was driven by various selling and administrative initiatives.

Depreciation and amortization expenses increased by \$30 million, or 12.3%, to \$272 million in 2016 from \$242 million in 2015. This increase was caused by changes in capacity and improvements to existing ships and shoreside assets.

Total costs and expenses as a percentage of revenues decreased to 67% in 2016 from 68% in 2015.

#### EAA Segment

Operating costs and expenses increased by \$51 million, or 6.0%, to \$903 million in 2016 from \$852 million in 2015.

This increase was caused by:

\$55 million - 6.4% capacity increase in ALBDs;

\$38 million - the accounting reclassification;

\$24 million - higher dry-dock expenses and other ship repair and maintenance expenses and

\$11 million - quarterly timing of various other operating expenses, net.

These increases were partially offset by:

\$33 million - lower fuel prices;

\$33 million - foreign currency translational impact and

\$11 million - lower air costs.

Depreciation and amortization expenses increased by \$12 million, or 8.2%, to \$152 million in 2016 from \$140 million in 2015. This increase was due to changes in capacity and improvements to existing ships and shoreside assets.

Total costs and expenses as a percentage of revenues increased to 70% in 2016 from 68% in 2015.

#### Operating Income

Our consolidated operating income increased by \$52 million, or 3.4%, to \$1.6 billion in 2016 from \$1.5 billion in 2015. Our North America segment's operating income increased by \$100 million, or 11%, to \$1.1 billion in 2016 from \$951 million in 2015, and our EAA segment's operating income decreased by \$15 million, or 2.7% to \$522 million in 2016 from \$537 million in 2015. These changes were primarily due to the reasons discussed above.

#### Nonoperating Expense

Losses on fuel derivatives, net were comprised of the following (in millions):

	Three Months Ended August 31,	
	2016	2015
Unrealized gains(losses) on fuel derivatives, net	\$25	\$(137)
Realized losses on fuel derivatives	(61 )	(60 )



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

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

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

We have not provided a reconciliation of forecasted gross cruise revenues to forecasted net cruise revenues or forecasted gross cruise costs to forecasted net cruise costs because it would be too difficult to prepare reliable U.S. GAAP forecasts of gross cruise revenues and gross cruise costs without unreasonable effort.

In addition, our EAA segment and Cruise Support segment operations utilize the euro, sterling and Australian dollar as their functional currencies to measure their results and financial condition. This subjects us to foreign currency translational risk. Our North America, EAA and Cruise Support segment operations also have revenues and expenses that are in a currency other than their functional currency. This subjects us to foreign currency transactional risk.

We report non-GAAP financial measures on a "constant dollar" and "constant currency" basis assuming the 2016 periods' currency exchange rates have remained constant with the 2015 periods' rates. These metrics facilitate a comparative view for the changes in our business in an environment with fluctuating exchange rates.

Constant dollar reporting is a non-GAAP financial measure that removes only the impact of changes in exchange rates on the translation of our EAA segment and Cruise Support segment operations.

Constant currency reporting is a non-GAAP financial measure that removes the impact of changes in exchange rates on the translation of our EAA segment and Cruise Support segment operations (as in constant dollar) plus the transactional impact of changes in exchange rates from revenues and expenses that are denominated in a currency other than the functional currency for our North America, EAA and Cruise Support segments.

Examples:

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

Our North America segment operations have a U.S. dollar functional currency but also have revenue and expense transactions in currencies other than the U.S. dollar. If the U.S. dollar strengthens against these other currencies, it reduces the U.S. dollar revenues and expenses. If the U.S. dollar weakens against these other currencies, it increases the U.S. dollar revenues and expenses.

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Our EAA segment operations have euro, sterling and Australian dollar functional currencies but also have revenue and expense transactions in currencies other than their functional currency. If their functional currency strengthens against these other currencies, it reduces the functional currency revenues and expenses. If the functional currency weakens against these other currencies, it increases the functional currency revenues and expenses.

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

While we forecast realized gains and losses on fuel derivatives by applying current Brent prices to the derivatives that settle in the forecast period, we do not forecast the impact of unrealized gains and losses on fuel derivatives because we do not believe they are an indication of our future earnings performance. Accordingly, our earnings guidance is presented on an adjusted basis only.

Our consolidated financial statements are prepared in accordance with U.S. GAAP. We have not provided a reconciliation between forecasted adjusted earnings per share guidance and forecasted U.S. GAAP earnings per share guidance because it would be too difficult to prepare reliable U.S. GAAP guidance without unreasonable effort. We are unable to predict, without unreasonable effort, the future movement of foreign exchange rates or the future impact of gains or losses on ship sales, restructuring expenses or other non-core gains and charges. The presentation of our non-GAAP financial information is not intended to be considered in isolation from, as substitute for, or superior to the financial information prepared in accordance with U.S. GAAP. It is possible that our non-GAAP financial measures may not be exactly comparable to the like-kind information presented by other companies, which is a potential risk associated with using these measures to compare us to other companies.

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

	Three Months Ended August 31,		
	2016	2016 Constant Dollar	2015
Passenger ticket revenues	\$3,803	\$3,866	\$3,631
Onboard and other revenues	1,146	1,158	1,102
Gross cruise revenues	4,949	5,024	4,733
Less cruise costs			
Commissions, transportation and other	(646 )	(654 )	(603 )
Onboard and other	(171 )	(173 )	(170 )
	(817 )	(827 )	(773 )
Net passenger ticket revenues	3,157	3,212	3,028
Net onboard and other revenues	975	985	932
Net cruise revenues	\$4,132	\$4,197	\$3,960
ALBDs	20,572,112	20,572,112	19,794,882
Gross revenue yields	\$240.60	\$244.22	\$239.10
% increase vs. 2015	0.6	% 2.1	%
Net revenue yields	\$200.87	\$204.03	\$200.04
% increase vs. 2015	0.4	% 2.0	%
Net passenger ticket revenue yields	\$153.47	\$156.14	\$152.96
% increase vs. 2015	0.3	% 2.1	%
Net onboard and other revenue yields	\$47.39	\$47.89	\$47.09
% increase vs. 2015	0.7	% 1.7	%

	Three Months Ended August 31,		
	2016	2016 Constant Currency	2015
Net passenger ticket revenues	\$3,157	\$3,246	\$3,028
Net onboard and other revenues	975	981	932
Net cruise revenues	\$4,132	\$4,227	\$3,960
ALBDs	20,572,112	20,572,112	19,794,882
Net revenue yields	\$200.87	\$205.46	\$200.04
% increase vs. 2015	0.4	% 2.7	%
Net passenger ticket revenue yields	\$153.47	\$157.76	\$152.96
% increase vs. 2015	0.3	% 3.1	%
Net onboard and other revenue yields	\$47.39	\$47.69	\$47.09
% increase vs. 2015	0.7	% 1.3	%

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

	Three Months Ended August 31,		
	2016	2016 Constant Dollar	2015
Cruise operating expenses	\$2,479	\$2,513	\$2,408
Cruise selling and administrative expenses	527	534	482
Gross cruise costs	3,006	3,047	2,890
Less cruise costs included above			
Commissions, transportation and other	(646 )	(654 )	(603 )
Onboard and other	(171 )	(173 )	(170 )
Gain on ship sale	—	—	2
Restructuring expenses	—	—	(14 )
Other (a)	(18 )	(18 )	—
Net cruise costs	2,171	2,202	2,105
Less fuel	(265 )	(265 )	(345 )
Net cruise costs excluding fuel	\$1,906	\$1,937	\$1,760
ALBDs	20,572,112	20,572,112	19,794,882
Gross cruise costs per ALBD	\$146.18	\$148.11	\$145.95
% increase vs. 2015	0.2	% 1.5	%
Net cruise costs per ALBD	\$105.54	\$107.00	\$106.28
% (decrease) increase vs. 2015	(0.7 )	% 0.7	%
Net cruise costs excluding fuel per ALBD	\$92.63	\$94.10	\$88.84
% increase vs. 2015	4.3	% 5.9	%

(a) Insignificant costs were included in the income statement in previous periods.

	Three Months Ended August 31,		
	2016	2016 Constant Currency	2015
Net cruise costs excluding fuel	\$1,906	\$1,929	\$1,760
ALBDs	20,572,112	20,572,112	19,794,882
Net cruise costs excluding fuel per ALBD	\$92.63	\$93.77	\$88.84
% increase vs. 2015	4.3	% 5.5	%

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

	Three Months Ended August 31, 2016 2015	
Net income		
U.S. GAAP net income	\$1,424	\$1,216
Unrealized (gains) losses on fuel derivatives, net	(25 )	137
Gain on ship sale	—	(2 )
Restructuring expenses	—	14
Other (a)	18	—
Adjusted net income	\$1,417	\$1,365
Weighted-average shares outstanding	739	781
Earnings per share		
U.S. GAAP earnings per share	\$1.93	\$1.56
Unrealized (gains) on fuel derivatives, net	(0.03 )	0.17
Gain on ship sale	—	—
Restructuring expenses	—	0.02
Other (a)	0.02	—
Adjusted earnings per share	\$1.92	\$1.75

(a) Insignificant costs were included in the income statement in previous periods.

Net cruise revenues increased by \$172 million, or 4.4% to \$4.1 billion in 2016 from \$4.0 billion in 2015.

The increase in net cruise revenues was caused by:

\$156 million - 3.9% capacity increase in ALBDs and

\$111 million - 2.7% increase in constant currency net revenue yields.

These increases were partially offset by foreign currency impacts (including both the foreign currency translational and transactional impacts), which accounted for \$94 million.

The 2.7% increase in net revenue yields on a constant currency basis was due to a 3.1% increase in net passenger ticket revenue yields and a 1.3% increase in net onboard and other revenue yields.

The 3.1% increase in net passenger ticket revenue yields was driven primarily by improvements in our Caribbean and Alaskan programs for our North America segment and European programs for our EAA segment, partially offset by yield reductions in Asia and Australia and 1.0 percentage points of this yield increase resulted from the accounting reclassification. This 3.1% increase in net passenger ticket revenue yields was comprised of a 3.9% increase from our North America segment and a 2.3% increase from our EAA segment.

The 1.3% increase in net onboard and other revenue yields was caused by a 2.8% increase from our North America segment, partially offset by a 1.9% decrease from our EAA segment.

Gross cruise revenues increased by \$216 million, or 4.6%, to \$4.9 billion in 2016 from \$4.7 billion in 2015 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by \$146 million, or 8.4%, to \$1.9 billion in 2016 from \$1.8 billion in 2015.

The increase in net cruise costs excluding fuel was caused by:

\$101 million - 5.5% increase in constant currency net cruise costs excluding fuel and

\$69 million - 3.9% capacity increase in ALBDs.

These increases were partially offset by foreign currency impacts (including both the foreign currency translational and transactional impacts), which accounted for \$23 million.

The 5.5% increase in constant currency net cruise costs excluding fuel per ALBD was principally due to higher repair and maintenance and dry-dock expenses, timing of advertising expense and a 1.7 percentage point increase that

resulted from the accounting reclassification.

Fuel costs decreased by \$80 million, or 23%, to \$265 million in 2016 from \$345 million in 2015.

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The decrease was caused by:

\$83 million - lower fuel prices and

\$11 million - lower fuel consumption.

These decreases were partially offset by 3.9% capacity increase in ALBDs, which accounted for \$14 million.

Gross cruise costs increased by \$116 million, or 4.0%, to \$3.0 billion in 2016 from \$2.9 billion in 2015 for principally the same reasons as discussed above.

Nine Months Ended August 31, 2016 ("2016") Compared to Nine Months Ended August 31, 2015 ("2015")

Revenues

Consolidated

Cruise passenger ticket revenues made up 74% of our 2016 total revenues. Cruise passenger ticket revenues increased by \$326 million, or 3.7%, to \$9.2 billion in 2016 from \$8.9 billion in 2015.

This increase was caused by:

\$288 million - 3.2% capacity increase in ALBDs;

\$101 million - the accounting reclassification and

\$79 million - slight increase in occupancy.

These increases were partially offset by foreign currency translational impact, which accounted for \$145 million.

The remaining 26% of 2016 total revenues were substantially all comprised of onboard and other cruise revenues, which increased by \$129 million, or 4.4%, to \$3.0 billion in 2016 from \$2.9 billion in 2015.

This increase was caused by:

\$95 million - 3.2% capacity increase in ALBDs;

\$39 million - higher onboard spending by our guests and

\$26 million - slight increase in occupancy.

These increases were partially offset by the foreign currency translational impact, which accounted for \$32 million.

Onboard and other revenues included concession revenues that decreased to \$788 million in 2016 from \$823 million in 2015.

North America Segment

Cruise passenger ticket revenues made up 73% of our North America segment's 2016 total revenues. Cruise passenger ticket revenues increased by \$184 million, or 3.4%, to \$5.6 billion in 2016 from \$5.4 billion in 2015.

The increase was driven by:

\$56 million - increase in cruise ticket pricing, partially offset by unfavorable foreign currency transactional impacts;

\$51 million - 1.0 percentage point increase in occupancy and

\$48 million - increase in air transportation revenues from guests who purchased their tickets from us.

The remaining 27% of our North America segment's 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$67 million, or 3.3%, to \$2.1 billion in 2016 from \$2.0 billion in 2015. This increase was driven by higher onboard spending by our guests, which accounted for \$36 million.

Onboard and other revenues included concession revenues that decreased to \$536 million in 2016 from \$571 million in 2015.

EAA Segment

Cruise passenger ticket revenues made up 82% of our EAA segment's 2016 total revenues. Cruise passenger ticket revenues increased by \$155 million, or 4.4%, to \$3.7 billion in 2016 from \$3.5 billion in 2015.

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This increase was caused by:

- \$276 million - 7.9% capacity increase in ALBDs;
- \$101 million - the accounting reclassification and
- \$36 million - 1.0 percentage point increase in occupancy.

These increases were partially offset by:

- \$145 million - foreign currency translational impact;
- \$76 million - decrease in cruise ticket pricing, driven by unfavorable foreign currency impacts and
- \$46 million - decrease in air transportation revenues from guests who purchased their tickets from us.

The remaining 18% of our EAA segment's 2016 total revenues were comprised of onboard and other cruise revenues, which increased by \$37 million, or 4.8%, to \$813 million in 2016 from \$776 million in 2015. This increase was caused by a 7.9% capacity increase in ALBDs, which accounted for \$61 million, partially offset by the foreign currency translational impact, which accounted for \$32 million.

Onboard and other revenues included concession revenues that remained at \$252 million in both 2016 and 2015.

#### Costs and Expenses

##### Consolidated

Operating costs and expenses decreased by \$165 million, or 2.3%, to \$7.1 billion in 2016 from \$7.2 billion in 2015.

This decrease was caused by:

- \$363 million - lower fuel prices;
- \$95 million - foreign currency translational impact and
- \$60 million - lower dry-dock expenses.

These decreases were partially offset by:

- \$230 million - 3.2% capacity increase in ALBDs;
- \$101 million - the accounting reclassification and
- \$25 million - slight increase in occupancy.

Selling and administrative expenses increased by \$109 million, or 7.3% to \$1.6 billion in 2016 from \$1.5 billion in 2015.

This increase was caused by:

- \$80 million - various selling and administrative initiatives and
- \$49 million - 3.2% capacity increase in ALBDs.

These increases were partially offset by the foreign currency translational impact, which accounted for \$19 million.

Depreciation and amortization expenses increased by \$97 million, or 8.0% to \$1.3 billion in 2016 from \$1.2 billion in 2015. This increase was due to changes in capacity and improvements to existing ships and shoreside assets.

Total costs and expenses as a percentage of revenues decreased to 80% in 2016 from 83% in 2015. Lower fuel prices in 2016 compared to 2015 caused the three percentage point decrease in our total costs and expenses as a percentage of revenues.

North America Segment

Operating costs and expenses decreased by \$191 million, or 4.3%, to \$4.3 billion in 2016 from \$4.4 billion in 2015.

This decrease was caused by:

\$226 million - lower fuel prices and

\$25 million - lower dry-dock expenses.

These decreases were partially offset by higher air costs, which accounted for \$43 million.

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Selling and administrative expenses increased by \$67 million, or 8.1% to \$897 million in 2016 from \$830 million in 2015. This was caused by various selling and administrative initiatives, which accounted for \$65 million.

Depreciation and amortization expenses increased by \$53 million, or 7.1%, to \$791 million in 2016 from \$738 million in 2015. This increase was due to changes in capacity and improvements to existing ships and shoreside assets.

Total costs and expenses as a percentage of revenues decreased to 77% in 2016 from 81% in 2015. The four percentage point decrease in our total costs and expenses as a percentage of revenues was principally due to lower fuel prices in 2016 compared to 2015.

#### EAA Segment

Operating costs and expenses slightly decreased by \$22 million to \$2.7 billion in 2016 from \$2.6 billion in 2015.

This decrease was caused by:

\$136 million - lower fuel prices;

\$95 million - foreign currency translational impact;

\$55 million - decrease in air transportation costs related to guests who purchased their tickets from us and

\$33 million - lower dry-dock expenses.

These decreases were partially offset by:

\$209 million - 7.9% capacity increase in ALBDs and

\$101 million - the accounting reclassification.

Selling and administrative expenses slightly increased by \$2 million to \$513 million in 2016 from \$511 million in 2015.

Depreciation and amortization expenses increased by \$33 million, or 8.1%, to \$450 million in 2016 from \$417 million in 2015. This increase was caused by 7.9% capacity increase in ALBDs, which accounted for \$33 million.

Total costs and expenses as a percentage of revenues decreased to 81% in 2016 from 84% in 2015. The three percentage point decrease in our total costs and expenses as a percentage of revenues was principally due to lower fuel prices in 2016 compared to 2015.

#### Operating Income

Our consolidated operating income increased by \$410 million, or 20%, to \$2.5 billion in 2016 from \$2.1 billion in 2015. Our North America segment's operating income increased by \$323 million, or 22%, to \$1.8 billion in 2016 from \$1.4 billion in 2015, and our EAA segment's operating income increased by \$136 million, or 19%, to \$837 million in 2016 from \$701 million in 2015. These changes were primarily due to the reasons discussed above.

#### Nonoperating Expense

Losses on fuel derivatives, net were comprised of the following (in millions):

	Nine Months Ended August 31,	
	2016	2015
Unrealized gains (losses) on fuel derivatives, net	\$121	\$(215)

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Realized losses on fuel derivatives	(223 )	(163 )
Losses on fuel derivatives, net	\$(102)	\$(378)

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Key Performance Non-GAAP Financial Indicators

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

	Nine Months Ended August 31,		
	2016	2016 Constant Dollar	2015
Passenger ticket revenues	\$9,217	\$9,362	\$ 8,891
Onboard and other revenues	3,047	3,080	2,918
Gross cruise revenues	12,264	12,442	11,809
Less cruise costs			
Commissions, transportation and other	(1,723 )	(1,751 )	(1,671 )
Onboard and other	(411 )	(416 )	(395 )
	(2,134 )	(2,167 )	(2,066 )
Net passenger ticket revenues	7,494	7,611	7,220
Net onboard and other revenues	2,636	2,664	2,523
Net cruise revenues	\$10,130	\$10,275	\$ 9,743
ALBDs	59,555,384	59,555,384	57,685,594
Gross revenue yields	\$205.94	\$208.91	\$ 204.72
% increase vs. 2015	0.6	% 2.0	%
Net revenue yields	\$170.10	\$172.52	\$ 168.91
% increase vs. 2015	0.7	% 2.1	%
Net passenger ticket revenue yields	\$125.84	\$127.80	\$ 125.17
% increase vs. 2015	0.5	% 2.1	%
Net onboard and other revenue yields	\$44.26	\$44.72	\$ 43.74
% increase vs. 2015	1.2	% 2.2	%

	Nine Months Ended August 31,		
	2016	2016 Constant Currency	2015
Net passenger ticket revenues	\$7,494	\$7,778	\$ 7,220
Net onboard and other revenues	2,636	2,672	2,523
Net cruise revenues	\$10,130	\$10,450	\$ 9,743
ALBDs	59,555,384	59,555,384	57,685,594
Net revenue yields	\$170.10	\$175.46	\$ 168.91
% increase vs. 2015	0.7	% 3.9	%
Net passenger ticket revenue yields	\$125.84	\$130.60	\$ 125.17
% increase vs. 2015	0.5	% 4.3	%
Net onboard and other revenue yields	\$44.26	\$44.86	\$ 43.74
% increase vs. 2015	1.2	% 2.6	%

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

	Nine Months Ended August 31,		
	2016	2016 Constant Dollar	2015
Cruise operating expenses	\$6,939	\$7,034	\$ 7,100
Cruise selling and administrative expenses	1,606	1,626	1,497
Gross cruise costs	8,545	8,660	8,597
Less cruise costs included above			
Commissions, transportation and other	(1,723 )	(1,751 )	(1,671 )
Onboard and other	(411 )	(416 )	(395 )
Gain on ship sale	2	2	6
Restructuring expenses	(2 )	(2 )	(21 )
Other (a)	(39 )	(39 )	—
Net cruise costs	6,372	6,454	6,516
Less fuel	(648 )	(648 )	(996 )
Net cruise costs excluding fuel	\$5,724	\$5,806	\$ 5,520
ALBDs	59,555,384	59,555,384	57,685,594
Gross cruise costs per ALBD	\$143.50	\$145.42	\$ 149.03
% decrease vs. 2015	(3.7 )%	(2.4 )%	
Net cruise costs per ALBD	\$106.99	\$108.37	\$ 112.96
% decrease vs. 2015	(5.3 )%	(4.1 )%	
Net cruise costs excluding fuel per ALBD	\$96.10	\$97.48	\$ 95.70
% increase vs. 2015	0.4 %	1.9 %	

(a) Insignificant costs were included in the income statement in previous periods.

	Nine Months Ended August 31,		
	2016	2016 Constant Currency	2015
Net cruise costs excluding fuel	\$5,724	\$ 5,793	\$ 5,520
ALBDs	59,555,384	59,555,384	57,685,594
Net cruise costs excluding fuel per ALBD	\$96.10	\$ 97.27	\$ 95.70
% increase vs. 2015	0.4 %	1.6 %	

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

	Nine Months Ended August 31,	
	2016	2015
Net income		
U.S. GAAP net income	\$2,171	\$1,487
Unrealized (gains) losses on fuel derivatives, net	(121 )	215
Gain on ship sale	(2 )	(6 )
Restructuring expenses	2	21
Other (a)	39	—
Adjusted net income	\$2,089	\$1,717
Weighted-average shares outstanding	754	781
Earnings per share		
U.S. GAAP earnings per share	\$2.88	\$1.91
Unrealized (gains) losses on fuel derivatives, net	(0.16 )	0.27
Gain on ship sale	—	(0.01 )
Restructuring expenses	—	0.03
Other	0.05	—
Adjusted earnings per share	\$2.77	\$2.20

(a) Insignificant costs were included in the income statement in previous periods.

Net cruise revenues increased by \$387 million, or 4.0%, to \$10.1 billion in 2016 from \$9.7 billion in 2015.

The increase in net cruise revenues was caused by:

\$390 million - 3.9% increase in constant currency net revenue yields and

\$316 million - 3.2% capacity increase in ALBDs.

These increases were partially offset by foreign currency impacts (including both the foreign currency translational and transactional impacts), which accounted for \$319 million.

The 3.9% increase in net revenue yields on a constant currency basis was due to a 4.3% increase in net passenger ticket revenue yields and a 2.6% increase in net onboard and other revenue yields.

The 4.3% increase in net passenger ticket revenue yields was driven primarily by improvements in our Caribbean and Alaskan programs for our North America segment and European programs for our EAA segment and 1.1 percentage points of this yield increase resulted from the accounting reclassification. This 4.3% increase in net passenger ticket revenue yields was comprised of a 5.5% increase from our North America segment and a 3.2% increase from our EAA segment.

The 2.6% increase in net onboard and other revenue yields was caused by a 3.7% increase from our North America segment and a 1.0% increase from our EAA segment.

Gross cruise revenues increased by \$455 million, or 3.9%, to \$12.3 billion in 2016 from \$11.8 billion in 2015 for largely the same reasons as discussed above.

Net cruise costs excluding fuel increased by \$204 million, or 3.7%, to \$5.7 billion in 2016 from \$5.5 billion in 2015.

The increase in net cruise costs excluding fuel was caused by a 3.2% capacity increase in ALBDs, which accounted for \$179 million, partially offset by foreign currency impacts (including both the foreign currency translational and transactional impacts), which accounted for \$70 million.

The 1.6% increase in constant currency net cruise costs excluding fuel per ALBD was principally due to higher repair and maintenance and dry-dock partially offset by a 1.4 percentage point increase that resulted from the accounting reclassification.

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Fuel costs decreased by \$348 million, or 35%, to \$648 million in 2016 from \$996 million in 2015. This was caused by lower fuel prices, which accounted for \$363 million, partially offset by a 3.2% capacity increase in ALBDs, which accounted for \$32 million.

Gross cruise costs slightly decreased by \$52 million to \$8.5 billion in 2016 from 8.6 billion in 2015 for principally the same reasons as discussed above.

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## Liquidity, Financial Condition and Capital Resources

Our primary financial goals are to profitably grow our cruise business and increase our return on invested capital (“ROIC”), reaching double digit returns within the next two years, while maintaining a strong balance sheet and strong investment grade credit ratings. We define ROIC as the twelve month adjusted earnings before interest divided by the monthly average of debt plus equity minus construction-in-progress. Our ability to generate significant operating cash flows allows us to internally fund our capital investments. As we continue to profitably grow our cruise business, we plan to increase our debt level, in a manner consistent with maintaining our strong credit metrics and strong investment grade credit ratings. This will allow us to return both free cash flows and incremental debt proceeds to our shareholders in the form of dividends and/or share repurchases. Other objectives of our capital structure policy are to maintain a sufficient level of liquidity with our available cash and cash equivalents and committed financings for immediate and future liquidity needs, and a reasonable debt maturity profile that is spread out over a number of years. Based on our historical results, projections and financial condition, we believe that our future operating cash flows and liquidity will be sufficient to fund all of our expected capital projects including shipbuilding commitments, ship improvements, debt service requirements, working capital needs and other firm commitments over the next several years. We believe that our ability to generate significant operating cash flows and our strong balance sheet as evidenced by our investment grade credit ratings provide us with the ability, in most financial credit market environments, to obtain debt financing. Our future operating cash flows and our ability to issue debt can be adversely impacted by numerous factors outside our control including, but not limited to, some of those noted under “Cautionary Note Concerning Factors That May Affect Future Results.” If our long-term senior unsecured credit ratings were to be downgraded or assigned a negative outlook, our access to and cost of debt financing may be negatively impacted. At August 31, 2016, we had a working capital deficit of \$5.5 billion. This deficit included \$3.6 billion of current customer deposits, which represent the passenger revenues already collected for cruises departing over the next twelve months and, accordingly, are substantially more like deferred revenue balances rather than actual current cash liabilities. Our August 31, 2016 working capital deficit also included \$1.0 billion of current debt obligations. We continue to generate significant cash from operations and have a strong balance sheet. This strong balance sheet provides us with the ability to refinance our current debt obligations before, or as they become due, in most financial credit market environments. We also have our revolving credit facilities available to provide long-term rollover financing should the need arise, or if we choose to do so. After excluding current customer deposits and current debt obligations from our August 31, 2016 working capital deficit balance, our adjusted working capital deficit was \$0.9 billion. Our business model, along with our strong balance sheet and unsecured revolving credit facilities, allows us to operate with a working capital deficit and still meet our operating, investing and financing needs. We believe we will continue to have working capital deficits for the foreseeable future.

At November 30, 2015, the U.S. dollar was \$1.50 to sterling, \$1.06 to the euro and \$0.72 to the Australian dollar. Had these November 30, 2015 currency exchange rates been used to translate our August 31, 2016 non-U.S. dollar functional currency operations’ assets and liabilities instead of the August 31, 2016 U.S. dollar exchange rates of \$1.31 to sterling, \$1.12 to the euro and \$0.76 to the Australian dollar, our total assets would have been higher by \$99 million and our total liabilities would have been lower by \$256 million.

### Sources and Uses of Cash

#### Operating Activities

Our business provided \$4.1 billion of net cash from operations during the nine months ended August 31, 2016, an increase of \$543 million, or 15%, compared to \$3.6 billion for the same period in 2015. This increase was caused by more cash being provided from our operating results.

#### Investing Activities

During the nine months ended August 31, 2016, net cash used in investing activities was \$2.6 billion. This was comprised of:

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Our expenditures for capital projects, of which \$1.5 billion was spent on our ongoing new shipbuilding program, substantially for AIDAprima, net of liquidated damages, and Holland America Line's Koningsdam and Carnival Vista;

Capital expenditures of \$657 million for ship improvements and replacements;

Capital expenditures of \$257 million for information technology, buildings and improvements and other assets;

Payment of \$231 million of fuel derivative settlements and

Payment of \$22 million of collateral to one of our fuel derivative counterparties.

During the nine months ended August 31, 2015, net cash used in investing activities was \$1.8 billion. This was caused by:

Our expenditures for capital projects, of which \$728 million was spent on our ongoing new shipbuilding program, primarily for P&O Cruises (UK)'s Britannia;

Capital expenditures of \$790 million for ship improvements and replacements;

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Capital expenditures of \$187 million for information technology, buildings and improvements and other assets;  
Cash installments of \$25 million from the sales of Ocean Princess, Seabourn Legend and Seabourn Spirit and  
\$139 million of fuel derivative settlements.

#### Financing Activities

During the nine months ended August 31, 2016, net cash used in financing activities of \$2.4 billion was substantially due to the following:

- borrowed \$301 million of short-term borrowings, net of repayments, in connection with our availability of, and needs for, cash at various times throughout the period;
- repaid \$971 million of long-term debt;
- issued \$555 million of euro-denominated publicly-traded notes, which net proceeds were used for general corporate purposes;
- borrowed \$379 million of long-term debt under an export credit facility;
- borrowed \$110 million of long-term debt under euro-denominated bank loans;
- paid cash dividends of \$721 million;
- purchased \$2.1 billion of shares of Carnival Corporation common stock in open market transactions of which \$2.1 billion were repurchased under our Repurchase Program and \$39 million were repurchased under our Stock Swap and
- sold \$40 million of treasury stock under our Stock Swap program.

During the nine months ended August 31, 2015, net cash used in financing activities of \$1.5 billion was substantially due to the following:

- repaid a net \$625 million of short-term borrowings in connection with our availability of, and needs for, cash at various times throughout the period;
- repaid \$772 million of long-term debt;
- borrowed \$472 million of long-term debt under an export credit facility;
- paid cash dividends of \$584 million;
- purchased \$166 million shares of Carnival Corporation common stock in open market transactions under our Stock Swap and Repurchase Programs and
- sold \$167 million of treasury stock under our Stock Swap program.

#### Future Commitments and Funding Sources

Our contractual cash obligations as of August 31, 2016 have changed compared to November 30, 2015 primarily as a result of our debt borrowings and repayments and new ship payments as noted above under "Sources and Uses of Cash." In addition, during the nine months ended August 31, 2016, we finalized the agreement with Italian shipbuilder, Fincantieri S.p.A, for the construction of Princess Cruises 3,560-passenger capacity Royal-class vessel to be delivered in 2020. Furthermore, on September 5, 2016, we signed a Memorandum of Agreement ("MOA") with German and Finnish shipbuilders, Meyer Werft and Meyer Turku, that will add a total of three new cruise ships to our fleet through 2022. This MOA is consistent with our long-term strategy of measured capacity growth over time and is subject to several conditions, including obtaining satisfactory financing.

As of August 31, 2016, our total annual capital expenditures consist of ships under contract for construction, including the three ships ordered under the MOA, and estimated improvements to existing ships and shoreside assets are expected to be \$1.0 billion for the remainder of 2016, \$3.1 billion in 2017, \$3.7 billion in 2018, \$4.5 billion in 2019, \$4.4 billion in 2020, \$2.9 billion in 2021 and \$2.0 billion in 2022.

The year-over-year percentage increase in our capacity is currently expected to be 4.5% for the 2016 fourth quarter. The year-over-year percentage increase in our annual capacity is currently expected to be 3.6% in 2016, 2.6% in 2017, 3.0% in 2018, 5.3% in 2019, 8.0% in 2020, 5.5% in 2021 and 2.8% in 2022. These percentage increases are expected to result primarily from contracted new ships entering service, including the three ships ordered under the MOA, and exclude any unannounced future ship orders, acquisitions, retirements, charters or sales.

At August 31, 2016, we had liquidity of \$10.8 billion. Our liquidity consisted of \$220 million of cash and cash equivalents, which excludes \$242 million of cash on hand, \$2.9 billion available for borrowing under our revolving

credit and bank loan facilities, net of our outstanding commercial paper borrowings, and \$7.7 billion under our committed future financings, which are substantially comprised of ship export credit facilities. Of this \$7.7 billion, \$0.9 billion is available for funding in 2017, \$2.0 billion in 2018, \$2.5 billion in 2019 and \$2.3 billion in 2020. At August 31, 2016, all of our revolving credit facilities are scheduled to mature in 2021, except for \$300 million that matures in 2020. These commitments are from numerous large and well-established banks and export credit agencies, which we believe will honor their contractual agreements with us.

Substantially all of our debt agreements contain financial covenants as described in Note 6 - "Unsecured Debt" in the annual consolidated financial statements, which is included within our 2015 Form 10-K. At August 31, 2016, we were in compliance with

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our debt covenants. In addition, based on, among other things, our forecasted operating results, financial condition and cash flows, we expect to be in compliance with our debt covenants for the foreseeable future. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated.

#### Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements, including guarantee contracts, retained or contingent interests, 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.

#### SIGNATURES

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

#### CARNIVAL CORPORATION

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

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

Date: October 5, 2016

#### CARNIVAL PLC

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

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

Date: October 5, 2016