ROYAL CARIBBEAN CRUISES LTD
Form 10-K
February 22, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018
or

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

For the transition period from to
Commission file number: 1-11884
ROYAL CARIBBEAN CRUISES LTD.
(Exact name of registrant as specified in its charter)

Republic of Liberia (State or other jurisdiction of incorporation or organization)	98-0081645 (I.R.S. Employer Identification No.)

1050 Caribbean Way, Miami, Florida 33132
(Address of principal executive offices) (zip code)
(305) 539-6000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o
Emerging growth company o
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the registrant's common stock at June 30, 2018 (based upon the closing sale price of the common stock on the New York Stock Exchange on June 29, 2018) held by those persons deemed by the registrant to be non-affiliates was approximately $18.5 billion. Shares of the registrant's common stock held by each executive officer and director and by each entity or person that, to the registrant's knowledge, owned 10% or more of the registrant's outstanding common stock as of June 30, 2018 have been excluded from this number in that these persons may be deemed affiliates of the registrant. This determination of possible affiliate status is not necessarily a conclusive determination for other purposes.

There were 209,186,598 shares of common stock outstanding as of February 14, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement relating to its 2019 Annual Meeting of Shareholders are incorporated by reference in Part III, Items 10-14 of this Annual Report on Form 10-K as indicated herein.

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PART I

As used in this Annual Report on Form 10-K, the terms "Royal Caribbean," the "Company," "we," "our" and "us" refer to Royal Caribbean Cruises Ltd. and, depending on the context, Royal Caribbean Cruises Ltd.'s consolidated subsidiaries and/or affiliates. The terms "Royal Caribbean International," "Celebrity Cruises," "Azamara Club Cruises" and "Silversea Cruises" refer to our wholly- or majority-owned global cruise brands. Throughout this Annual Report on Form 10-K, we also refer to regional brands in which we hold an ownership interest, including "TUI Cruises," "Pullmantur" and "SkySea Cruises." However, because these regional brands are unconsolidated investments, our operating results and other disclosures herein do not include these brands unless otherwise specified. In accordance with cruise vacation industry practice, the term "berths" is determined based on double occupancy per cabin even though many cabins can accommodate three or more passengers.

This Annual Report on Form 10-K also includes trademarks, trade names and service marks of other companies. Use or display by us of other parties' trademarks, trade names or service marks is not intended to and does not imply a relationship with, or endorsement or sponsorship of us by, these other parties other than as described herein.

Item 1. Business.

General

We are the world's second largest cruise company. We control and operate four global cruise brands: Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises and, most recently, Silversea Cruises (collectively, our "Global Brands"). We also own a 50% joint venture interest in the German brand TUI Cruises and a 49% interest in the Spanish brand Pullmantur (collectively, our "Partner Brands"). Together, our Global Brands and our Partner Brands operate a combined total of 60 ships in the cruise vacation industry with an aggregate capacity of approximately 135,520 berths as of December 31, 2018.

Our ships operate on a selection of worldwide itineraries that call on more than 1,000 destinations on all seven continents. In addition to our headquarters in Miami, Florida, we have offices and a network of international representatives around the world, which primarily focus on sales and market development.

We compete principally by operating valued brands that offer exceptional service provided by our crew and on the basis of innovation and quality of ships, variety of itineraries, choice of destinations and price. We believe that our commitment to build state-of-the-art ships and to invest in the maintenance and upgrade of our fleet to, among other things, incorporate many of our latest signature innovations, allows us to continue to attract new and loyal repeat guests.

We believe cruising continues to be a popular vacation choice due to its inherent value, extensive itineraries and variety of shipboard and shoreside activities. In addition, we believe our brands are well-positioned globally and possess the ability to attract a wide range of guests by appealing to multiple customer bases allowing our global sourcing to be well diversified.

Royal Caribbean was founded in 1968 as a partnership. Its corporate structure has evolved over the years and, the current parent corporation, Royal Caribbean Cruises Ltd., was incorporated on July 23, 1985 in the Republic of Liberia under the Business Corporation Act of Liberia.

Our Global Brands

Our Global Brands include Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises and Silversea Cruises.

We believe our Global Brands possess the versatility to enter multiple cruise market segments within the cruise vacation industry. Although each of our Global Brands has its own marketing style, as well as ships and crews of various sizes, the nature of the products sold and services delivered by our Global Brands share a common base (i.e., the sale and provision of cruise vacations). Our Global Brands also have similar itineraries as well as similar cost and revenue components. In addition, our Global Brands source passengers from similar markets around the world and operate in similar economic environments with a significant degree of commercial overlap. As a result, we strategically manage our Global Brands as a single business with the ultimate objective of maximizing long-term shareholder value.

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Royal Caribbean International

Royal Caribbean International is positioned to compete in both the contemporary and premium segments of the cruise vacation industry. The brand appeals to families with children of all ages, as well as both older and younger couples, providing cruises that generally feature a casual ambiance, as well as a variety of activities and entertainment venues. We believe that the quality of the Royal Caribbean International brand allows it to achieve market coverage that is among the broadest of any of the major cruise brands in the cruise vacation industry. Royal Caribbean International's strategy is to attract an array of vacationing guests by providing a wide variety of itineraries to destinations worldwide, including Alaska, Asia, Australia, Bahamas, Bermuda, Canada, the Caribbean, Europe, the Panama Canal and New Zealand, with cruise lengths ranging from two to 23 nights. Royal Caribbean International offers multiple innovative options for onboard dining, entertainment and other onboard activities. Because of the brand's ability to deliver extensive and innovative product offerings at an excellent value to consumers, we believe Royal Caribbean International is well positioned to attract new consumers to cruising and to continue to bring loyal repeat guests back for their next vacation.

Royal Caribbean International operates 25 ships with an aggregate capacity of approximately 82,500 berths, including the brand's newest ship, Symphony of the Seas, which entered service in March 2018. Additionally, as of December 31, 2018, we have five ships on order with an aggregate capacity of approximately 25,300 berths. These ships consist of our fourth and fifth Quantum-class ships, which are scheduled to enter service in the second quarter of 2019 and fourth quarter of 2020, respectively, our fifth Oasis-class ship, which is scheduled to enter service in the second quarter of 2021, and the first two ships of a new generation, known as our Icon-class, which are expected to enter service in 2022 and 2024, respectively.

Celebrity Cruises

Celebrity Cruises is positioned within the premium segment of the cruise vacation industry. Celebrity Cruises' strategy is to target affluent consumers by delivering a destination-rich, modern luxury experience on upscale ships that offer, among other things, luxurious accommodations, refined design-forward spaces, high-standard service and fine dining. Celebrity Cruises offers a range of itineraries to destinations, including Alaska, Asia, Australia, Bermuda, Canada, the Caribbean, Europe, the Galapagos Islands, Hawaii, India, New Zealand, the Panama Canal and South America, with cruise lengths ranging from two to 19 nights.

Celebrity Cruises operates 13 ships with an aggregate capacity of approximately 26,070 berths, including the brand's first Edge-class ship, Celebrity Edge, which entered service in December 2018. Additionally, as of December 31, 2018, we have four ships on order with an aggregate capacity of approximately 9,400 berths. These ships consist of three Edge-class ships, which are expected to enter service in the second quarter of 2020 and the fourth quarters of 2021 and 2022, respectively, and a ship designed for the Galapagos Islands, which is expected to enter service in the second quarter of 2019.

Azamara Club Cruises

Azamara Club Cruises is designed to serve the up-market segment of the North American, United Kingdom and Australian markets. The up-market segment incorporates elements of the premium segment and the luxury segment, which is generally characterized by smaller ships, high standards of accommodation and service and exotic itineraries. Azamara Club Cruises' strategy is to deliver distinctive destination experiences through unique itineraries with more overnights and longer stays as well as comprehensive tours allowing guests to experience the destination in more depth. Azamara Club Cruises offers a variety of itineraries to popular destinations, including Asia, Australia/New Zealand, Northern and Western Europe, the Mediterranean, Cuba and South America with cruise lengths ranging from four to 21 nights.

Azamara Club Cruises operates three ships with an aggregate capacity of approximately 2,100 berths, including Azamara Pursuit, which entered service during the third quarter of 2018.

Silversea Cruises

On July 31, 2018, we acquired a 66.7% equity stake in Silversea Cruise Holding Ltd. ("Silversea Cruises"), an ultra-luxury and expedition cruise line. Refer to Note 3. Business Combinations to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information on the Silversea Cruises acquisition.

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Silversea Cruises, formed in the early 1990's, is positioned as a luxury cruise line with smaller ships, high standards of accommodations, fine dining, personalized service and exotic itineraries. Silversea Cruises delivers distinctive destination experiences by visiting unique and remote destinations, including the Galapagos Islands, Antarctica and the Arctic.

Silversea Cruises operates nine ships, with an aggregate capacity of approximately 2,650 berths offering cruise itineraries generally ranging from six to 25 nights. As of December 31, 2018, Silversea Cruises has three ships on order with an aggregate capacity of approximately 1,200 berths, which are scheduled for delivery in the first and third quarter of 2020 and the third quarter of 2021, respectively. Additionally, Silversea Cruises signed a memorandum of understanding with Meyer Werft to build two ships of a new generation, which are expected to enter service in 2022 and 2023, respectively. The memorandum of understanding with Meyer Werft is contingent upon completion of final documentation and financing, which are expected to be completed in the first quarter of 2019.

Our Partner Brands

Our Global Brands are complemented by our 50% joint venture interest in TUI Cruises, which is specifically tailored for the German market and our 49% interest in the Spanish brand Pullmantur, which is primarily focused on the Spanish and Latin American cruise markets. We account for our investments in our Partner Brands under the equity method of accounting and, accordingly, the operating results of these Partner Brands are not included in our consolidated results of operations. Refer to Note 1. General and Note 8. Other Assets to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further details.

TUI Cruises

TUI Cruises is a joint venture owned 50% by us and 50% by TUI AG, a German tourism company, which is designed to serve the contemporary and premium segments of the German cruise market by offering a product tailored for German guests. All onboard activities, services, shore excursions and menu offerings are designed to suit the preferences of this target market.

TUI Cruises operates six ships, with an aggregate capacity of approximately 14,750 berths as of December 31, 2018. Additionally, TUI Cruises has four ships on order with an aggregate capacity of approximately 13,900 berths, of which one ship was delivered in January 2019 and the remaining ships on order are scheduled for delivery in the second quarter of 2023, the third quarter of 2024 and the first quarter of 2026, respectively.

Pullmantur

The Pullmantur brand is a joint venture owned 49% by us and 51% by Cruises Investment Holdings S.A.R.L., an affiliate of Springwater Capital LLC. Pullmantur operates in the contemporary segment of the Spanish and Latin American cruise markets and is designed to attract Spanish-speaking families and couples and includes Spanish-speaking crew, as well as tailored food and entertainment options. The four ships operated by Pullmantur have an aggregate capacity of approximately 7,450 berths.

SkySea Cruises

In March 2018, we and Ctrip.com International Ltd. announced the decision to end the Skysea Holding International Ltd. ("Skysea Holding") venture in which we have a 36% ownership interest. In September 2018, Skysea Holding ceased cruising operations and in December 2018, the Golden Era, the ship operated by Skysea Cruises, and owned by the wholly-owned subsidiary of Skysea Holding, was sold to an affiliate of TUI AG, our joint venture partner in TUI Cruises.

Industry

Cruising is considered a well-established vacation sector in the North American and European markets and a developing sector in several other emerging markets. Industry data indicates that market penetration rates are still low and that a significant portion of cruise guests carried are first-time cruisers. We believe this presents an opportunity for long-term growth and a potential for increased profitability.

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The following table details industry market penetration rates for North America, Europe and Asia/Pacific computed based on the number of annual cruise guests as a percentage of the total population:

Year	North America(1)(2)	Europe(1)(3)	Asia/Pacific(1)(4)
2014	3.46%	1.23%	0.06%
2015	3.36%	1.25%	0.08%
2016	3.43%	1.23%	0.11%
2017	3.56%	1.28%	0.15%
2018	3.59%	1.31%	0.19%

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(1) Source: Our estimates are based on a combination of data obtained from publicly available sources including the International Monetary Fund, United Nations, Department of Economic and Social Affairs, Cruise Lines International Association ("CLIA") and G.P. Wild. In addition, our estimates incorporate our own analysis utilizing the same publicly available cruise industry data as a base.

(2) Our estimates include the United States and Canada.

(3) Our estimates include European countries relevant to the industry (most notably: the Nordics, Germany, France, Italy, Spain and the United Kingdom).

(4) Our estimates include the Southeast Asia (most notably: Singapore, Thailand and the Philippines), East Asia (most notably: China and Japan), South Asia (most notably: India and Pakistan) and Oceania (most notably: Australia and Fiji Islands) regions.

We estimate that the global cruise fleet was served by a weighted average of approximately 546,000 berths during 2018 with approximately 323 ships at the end of 2018. As of December 31, 2018, there were approximately 89 ships with an estimated 198,000 berths that are expected to be placed in service in the global cruise market between 2019 and 2023, although it is also possible that ships could be ordered or taken out of service during these periods. We estimate that the global cruise industry carried approximately 28.0 million cruise guests in 2018 compared to approximately 26.7 million cruise guests carried in 2017 and approximately 24.0 million cruise guests carried in 2016.

The following table details the growth in global weighted average berths and the global, North American, European and Asia/Pacific cruise guests over the past five years (in thousands, except berth data):

Year	Weighted-Average Supply of Berths Marketed Globally(1)	Royal Caribbean Cruises Ltd. Total Berths(2)	Global Cruise Guests(1)	North American Cruise Guests(1)(3)	European Cruise Guests(1)(4)	Asia/Pacific Cruise Guests(1)(5)
2014	448,000	105,750	22,039	12,269	6,387	2,382
2015	469,000	112,700	23,000	12,004	6,587	3,129
2016	493,000	123,270	24,000	12,274	6,512	4,466
2017	515,000	124,070	26,700	12,865	6,779	5,415
2018	546,000	135,520	28,000	13,054	6,986	7,006

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(1) Source: Our estimates of the number of global cruise guests and the weighted-average supply of berths marketed globally are based on a combination of data that we obtain from various publicly available cruise industry trade information sources. We use data obtained from Seatrade Insider, Cruise Industry News and company press releases to estimate weighted-average supply of berths and CLIA and G.P. Wild to estimate cruise guest information. In addition, our estimates incorporate our own analysis utilizing the same publicly available cruise industry data as a base.

(2) Total berths include our berths related to our Global Brands and Partner Brands.

(3) Our estimates include the United States and Canada.

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(4) Our estimates include European countries relevant to the industry (most notably: the Nordics, Germany, France, Italy, Spain and the United Kingdom).

(5) Our estimates include the Southeast Asia (most notably: Singapore, Thailand and the Philippines), East Asia (most notably: China and Japan), South Asia (most notably: India and Pakistan) and Oceania (most notably: Australia and Fiji Islands) regions.

North America

Industry cruise guests are primarily sourced from North America, which represented approximately 47% of global cruise guests in 2018. The compound annual growth rate in cruise guests sourced from this market was approximately 2% from 2014 to 2018.

Europe

Industry cruise guests sourced from Europe represented approximately 25% of global cruise guests in 2018. The compound annual growth rate in cruise guests sourced from this market was approximately 2% from 2014 to 2018.

Asia/Pacific

Industry cruise guests sourced from the Asia/Pacific region represented approximately 25% of global cruise guests in 2018. The compound annual growth rate in cruise guests sourced from this market was approximately 31% from 2014 to 2018. The Asia/Pacific region is experiencing the highest growth rate of the major regions, although it represents a relatively small sector compared to North America.

Competition

We compete with a number of cruise lines. Our principal competitors are Carnival Corporation & plc, which owns, among others, Aida Cruises, Carnival Cruise Line, Costa Cruises, Cunard Line, Holland America Line, P&O Cruises, Princess Cruises and Seabourn; Disney Cruise Line; MSC Cruises; and Norwegian Cruise Line Holdings Ltd, which owns Norwegian Cruise Line, Oceania Cruises and Regent Seven Seas Cruises. Cruise lines also compete with other vacation alternatives such as land-based resort hotels, Internet-based alternative lodging sites and sightseeing destinations for consumers’ leisure time. Interest for such activities is influenced by political and general economic conditions. Companies within the vacation market are dependent on consumer discretionary spending.

Operating Strategies

Our principal operating strategies are to:

- protect the health, safety and security of our guests and employees,
- protect the environment in which our vessels and organization operate,
- strengthen and support our human capital in order to better serve our global guest base and grow our business,
- strengthen our consumer engagement in order to enhance our revenues,
- increase the awareness and market penetration of our brands globally,
- focus on cost efficiency, manage our operating expenditures and ensure adequate cash and liquidity, with the overall goal of maximizing our return on invested capital and long-term shareholder value,
- strategically invest in our fleet through the upgrade and maintenance of existing ships and the transfer of key innovations, while prudently expanding our fleet with new state-of-the-art cruise ships,
- capitalize on the portability and flexibility of our ships by deploying them into those markets and itineraries that provide opportunities to optimize returns, while continuing our focus on existing key markets,
- further enhance our technological capabilities to service customer preferences and expectations in an innovative manner, while supporting our strategic focus on profitability, and
- maintain strong relationships with travel agencies, which continue to be the principal industry distribution channel, while enhancing our consumer outreach programs.

Safety, environment and health policies

We are committed to protecting the health, safety and security of our guests, employees and others working on our behalf. We are also focused on the environmental health of the marine environment and communities in which we operate. Our efforts in these areas are guided by a Maritime Advisory Board of experts, overseen by the Safety, Environment and Health Committee of our board of directors and managed by our dedicated Safety, Environment and Health Department, which is responsible for all of our maritime safety, global security, environmental stewardship and medical/public health activities.

We believe in transparent reporting on our safety, environment and health performance, as well as our corporate responsibility efforts, and annually publish a Sustainability Report. This report, which is accessible on our corporate website, highlights our progress with regards to those environmental and social aspects of our business that we believe are most significant to our organization and stakeholders. In addition to providing an overview, the report complies with the guidelines of the Global Reporting Initiative to ensure the report is as complete and accurate as possible. Our corporate website also provides information about our sustainability initiatives, environmental performance goals and our voluntary reporting of onboard security incidents. The foregoing information contained on our website is not a part of any of these reports and is not incorporated by reference herein or in any other report or document we file with the Securities and Exchange Commission.

Human capital

We believe that our employees, both shipboard and shoreside, are a critical success factor for our business. We strive to identify, hire, develop, motivate and retain the best employees, who provide our guests with extraordinary vacations. Attracting, engaging, and retaining key employees has been and will remain critical to our success.

We focus on providing our employees with a competitive compensation structure and development and other personal and professional growth opportunities in order to strengthen and support our human capital. We also select, develop and have strategies to retain high performing leaders to advance the enterprise now and in the future. To that end, we pay special attention to identifying high performing potential leaders and developing bench strength so these leaders can assume leadership roles throughout the organization. We strive to maintain a work environment that reinforces collaboration, motivation and innovation, and believe that maintaining a strong employee-focused culture is beneficial to the growth and expansion of our business.

Consumer engagement

We place a strong focus on identifying the needs of our guests and creating product features and innovations that our customers value. We are focused on targeting high-value guests by better understanding consumer data and insights to create communication strategies that resonate with our target audiences.

We target customers across all touch points and identify underlying needs for which guests are willing to pay a premium. We rely on various programs and technologies during the cruise-planning, cruising and after-cruise periods aimed at increasing ticket prices, onboard revenues and occupancy. We have and continue to strategically invest in onboard projects on our ships that we believe drive marketability, profitability and improve the guest experience.

Global awareness and market penetration

We increase brand awareness and market penetration of our cruise brands in various ways, including the use of communication strategies and marketing campaigns designed to emphasize the qualities of each brand and to broaden the awareness of the brand, especially among target groups. Our marketing strategies include the use of travel agencies, traditional media, mobile and digital media as well as social media, influencers and brand websites. Our brands engage past and potential guests by collaborating with travel partners and through call centers, international offices and international representatives. In addition, our Global Brands target repeat guests with exclusive benefits offered through their respective loyalty programs.

We sell and market our Global Brands, Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises and Silversea Cruises, to guests outside of the United States and Canada through our commercial teams located in Europe, Asia, Australia, New Zealand and Mexico. We believe that having a local presence in these markets provides us with the ability to react more quickly to local market conditions and better understand our consumer base in each market. We further extend our geographic reach with a network of approximately 76 independent international

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representatives located throughout the world covering more than 180 countries. Historically, our focus has been to primarily source guests for our Global Brands from North America. We continue to expand our focus on selling and marketing our cruise brands to guests in countries outside of North America by tailoring itineraries and onboard product offerings to the cultural characteristics and preferences of our international guests. In addition, we explore opportunities that may arise to acquire or develop brands tailored to specific markets.

Passenger ticket revenues generated by sales originating in countries outside of the United States were approximately 39% of total passenger ticket revenues in 2018, 41% in 2017 and 45% in 2016. International guests have grown from approximately 2.2 million in 2014 to approximately 2.3 million in 2018. Refer to Item 1A. Risk Factors - "Conducting business globally may result in increased costs and other risks" for a discussion of the risks associated with our international operations.

Cost efficiency, operating expenditures and adequate cash and liquidity

We have adopted a number of strategies to control our operating costs and will continue to do so in 2019. For example, we have adopted numerous initiatives to reduce energy consumption and, by extension, fuel costs. These include the design of more energy-efficient ships as well as the implementation of more efficient hardware, including improvements in operations and voyage planning as well as improvements to the propulsion, machinery, HVAC and lighting systems. The overall impact of these efforts has resulted in an approximate 30% improvement in energy efficiency from 2005 through 2018 and we believe that our energy consumption per guest is currently the lowest in the cruise industry. In order to sustain our competitive advantage, we will continue to seek to lead with innovative technologies and commit to achieve our short and long-term sustainability goals.

We are focused on maintaining a strong liquidity position, investment grade credit metrics and a balanced debt maturity profile. We believe these strategies enhance our ability to achieve our overall goal of maximizing our long-term shareholder value.

Fleet upgrade, maintenance and expansion

We place a strong focus on innovation, which we seek to achieve by introducing new concepts on our new ships and continuously making improvements to our fleet through modernization projects. Several of these innovations have become signature elements of our brands. For the Royal Caribbean International brand, we introduced the "Royal Promenade" (a boulevard with shopping, dining and entertainment venues) and, more recently, interior balconies on the Oasis class ships and a two-level family suite on Symphony of the Seas. For the Celebrity Cruises brand, we enhanced many of the brand's design features through the introduction of the Solstice class ships. More recently, with the introduction of Celebrity Edge, the first ship of a new generation of ships, we introduced the "Magic Carpet" (a cantilevered, floating platform that reaches a height of 13 stories above sea level and can serve as a dining venue, full bar and platform for live music) and newly designed staterooms with an "Infinite Veranda" where, with the touch of a button, the entire living space becomes the veranda.

In 2018, the Royal Caribbean International and Celebrity Cruises brands announced the "Royal Amplified" and "Celebrity Revolution" modernization programs to upgrade vessels across their fleet. As part of these modernization programs, we incorporate certain innovations included in our newer ships to some of the ships in the remaining fleet. The process of integrating some of our latest innovations into our older vessels allows us to create a greater level of consistency of product across our fleet.

As part of the newbuild and modernization programs, we also seek to bring innovations in the areas of safety, reliability and energy efficiency to our fleet.

We are committed to building state-of-the-art ships at a moderate growth rate and we believe our success in this area provides us with a competitive advantage. Our newer vessels traditionally generate higher revenue yield premiums and are more efficient to operate than older vessels.

As of December 31, 2018, our Global Brands and Partner Brands have 16 ships on order. Refer to the Operations section below for further information on our ships on order.

In addition, we regularly evaluate opportunities to order new ships, purchase existing ships or sell ships in our current fleet. In the current environment of high industry demand, we recently have placed new ship orders earlier than we have historically done as well as more aggressively sought to sell older capacity.

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Markets and itineraries

In an effort to penetrate untapped markets, diversify our consumer base and respond to changing economic and geopolitical market conditions, we continue to seek opportunities to deploy ships to new and stronger markets and itineraries throughout the world. The portability of our ships allows us to deploy our ships to meet demand within our existing cruise markets. We make deployment decisions generally 12 to 18 months in advance, with the goal of optimizing the overall profitability of our portfolio. Additionally, the infrastructure investments we have made to create a flexible global sourcing model have made our brands relevant in a number of markets around the world, which allows us to be opportunistic and source the highest yielding guests for our itineraries.

Our ships offer a wide selection of itineraries that call on more than 1,000 destinations in 126 countries, spanning all seven continents. We are focused on obtaining the best possible long-term shareholder returns by operating in established markets while growing our presence in developing markets. New capacity allows us to expand into new markets and itineraries. Our brands have expanded their mix of itineraries while strengthening our ability to further penetrate the Asian and Australian markets. The recent acquisition of Silversea Cruises adds more than 500 new destinations allowing us to expand and enhance our selection of exotic itineraries. Additionally, in order to provide unique destination experiences to our guests, we are investing in our private land destinations. For instance, in 2018, we announced Perfect Day Island Collection, an initiative to develop a series of private island destinations around the world. The first in the collection, Perfect Day at CocoCay, is scheduled to open in Spring 2019 and will include a wide range of attractions, such as a water park, zip line, wave and freshwater pools and overwater cabanas, to deliver a unique family experience.

Also, in order to capitalize on the summer season in the Southern Hemisphere and mitigate the impact of the winter weather in the Northern Hemisphere, our brands have focused on deployment in the Caribbean, Asia and Australia during that period.

In an effort to secure desirable berthing facilities for our ships, and to provide new or enhanced cruise destinations for our guests, we actively assist or invest in the development or enhancement of certain port facilities and infrastructure, including mixed-use commercial properties, located in strategic ports of call. For instance, in late 2018, a new cruise terminal of approximately 170,000 square feet was completed at PortMiami in Miami, Florida, serving as one of our homeports. Generally, we collaborate with local, private or governmental entities by providing management and/or financial assistance and often enter into long-term port usage arrangements. Our participation in these efforts is generally accomplished via investments with the relevant government authority and/or various other strategic partnerships established to develop and/or operate the port facilities, by providing direct development and management expertise or in certain limited circumstances, by providing direct or indirect financial support. In exchange for our involvement, we generally secure preferential berthing rights for our ships.

Technological capabilities

The need to develop and use innovative technology is increasingly important. Technology is a pervasive part of virtually every business process we use to support our strategic focus and provide a quality experience to our customers before, during and after their cruise.

In the past year, we have digitalized the guest journey from port check-in and onboard purchases to digital stateroom features. As the use of our various websites, mobile and social media platforms continue to increase both on shore and shipboard by both our guests and crew, we continually invest in our systems, infrastructure and technologies to facilitate this growth. For instance, in 2018, we continued to advance our onboard technology in areas such as Internet connectivity at sea, stateroom automation and guest-to-guest chat.

Additionally, we continue to invest in our distribution channels to ensure the best go-to-market approach, whether through travel partners or direct to customer. Commensurate with our destination strategy, we intend to invest in technology to service our guests seamlessly as they transition from ship to our private destinations to enjoy Internet connectivity or local activities.

Cyber security and data privacy are a continued focus, and we have made and will continue to make investments to protect our customer data, intellectual property and global operations.

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Travel agency support and consumer outreach

Travel agencies continue to be the primary source of ticket sales for our ships. We believe in the value of this distribution channel and invest in maintaining strong relationships with our travel partners. To accomplish this goal, we seek to ensure that our commission rates and incentive structures remain competitive with the marketplace. We provide brand dedicated sales representatives who serve as advisors to our travel partners. We also provide trained customer service representatives, call centers and online training tools.

In addition, we continue to operate our Consumer Outreach department, which provides consumers 24-hour access to our vacation planners and customer service agents in our call centers. In addition, we maintain and invest in our websites, including mobile applications and mobile websites, which allow guests to directly plan, book and customize their cruise, including the ability to add a variety of onboard amenities. We enable our guests to communicate and book with us through various channels such as phone, web, chat, text message, and/or email.

We also have a robust Onboard Cruise Sales department to help guests to book their next cruise vacations while onboard our ships.

Guest Services

We offer to handle virtually all travel aspects related to guest reservations and transportation, including arranging guest pre- and post-hotel stay arrangements and air transportation.

Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises and Silversea Cruises offer rewards to their guests through their loyalty programs, Crown & Anchor Society, Captain’s Club, Le Club Voyage and Venetian Society, respectively, to encourage repeat business. Crown & Anchor Society has approximately 13 million members worldwide. Captain’s Club, Le Club Voyage and Venetian Society have approximately 4.5 million members combined worldwide. Members are recognized through increasing membership status by accumulating cruise points or credits, depending on the brand, which may be redeemed on future sailings. Members are awarded points or credits in proportion to the number of cruise days and stateroom category. The loyalty programs provide tiers of membership benefits which entitle guests to upgraded experiences and rewards relative to the status achieved once the guests have accumulated the number of cruise points or credits specified for each tier. In addition, upon achieving a certain level of cruise points or credits, members benefit from reciprocal membership benefits across all of our loyalty programs. Examples of the rewards available under our loyalty programs include, but are not limited to, priority ship embarkation, priority waitlist for shore excursions, complimentary laundry service, complimentary Internet, booklets with onboard discount offers, upgraded bathroom amenities, private seating on the pool deck, ship tours and, in the case of our most loyal guests who have achieved the highest levels of cruise points or credits, complimentary cruise days. We regularly work to enhance each of our loyalty programs by adding new features and amenities in order to reward our repeat guests.

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Operations

Cruise Ships and Itineraries

As of December 31, 2018, our Global Brands and Partner Brands collectively operated 60 ships with a selection of worldwide itineraries that call on more than 1,000 destinations.

The following table presents summary information concerning the ships we expect to operate in 2019 under our Global Brands and Partner Brands and their geographic areas of operation based on current 2019 itineraries (subject to change).

Ship	Year Ship Built	Year Ship Entered/Will Enter Service(1)	Approximate Berths	Primary Areas of Operation
Royal Caribbean International				
Spectrum of the Seas	2019	2019	4,250	Eastern Asia
Symphony of the Seas	2018	2018	5,500	Eastern/Western Caribbean
Harmony of the Seas	2016	2016	5,450	Eastern/Western Caribbean
Ovation of the Seas	2016	2016	4,100	Australia, Alaska
Anthem of the Seas	2015	2015	4,150	Southern Caribbean, Bahamas, Bermuda, Canada
Quantum of the Seas	2014	2014	4,150	Eastern Asia
Allure of the Seas	2010	2010	5,450	Eastern/Western Caribbean
Oasis of the Seas	2009	2009	5,450	Eastern/Western Caribbean, Europe
Independence of the Seas	2008	2008	3,850	Western Caribbean, Europe
Liberty of the Seas	2007	2007	3,750	Western Caribbean
Freedom of the Seas	2006	2006	3,750	Southern Caribbean
Jewel of the Seas	2004	2004	2,150	Western/Southern Caribbean, Europe, Middle East
Mariner of the Seas	2003	2003	3,300	Bahamas
Serenade of the Seas	2003	2003	2,100	Eastern/Southern Caribbean, Bermuda, Canada
Navigator of the Seas	2002	2002	3,250	Western/Southern Caribbean, Bahamas
Brilliance of the Seas	2002	2002	2,100	Western Caribbean, Europe
Adventure of the Seas	2001	2001	3,300	Eastern/Western Caribbean, Bahamas, Canada
Radiance of the Seas	2001	2001	2,100	Australia, Alaska
Explorer of the Seas	2000	2000	3,250	Australia, Europe, Western/Southern Caribbean
Voyager of the Seas	1999	1999	3,250	Eastern Asia, Australia
Vision of the Seas	1998	1998	2,000	Western/Southern Caribbean, Europe
Enchantment of the Seas	1997	1997	2,250	Western Caribbean
Rhapsody of the Seas	1997	1997	2,000	Western Caribbean, Europe
Grandeur of the Seas	1996	1996	1,950	Bahamas, Southern Caribbean, Bermuda, Canada
Majesty of the Seas	1992	1992	2,350	Western Caribbean, Cuba
Empress of the Seas	1990	2016	1,550	Cuba
Celebrity Cruises				
Celebrity Flora	2019	2019	100	Galapagos Islands
Celebrity Edge	2018	2018	2,900	Eastern/Western Caribbean, Europe
Celebrity Reflection	2012	2012	3,000	Southern Caribbean, Europe

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Ship	Year Ship Built	Year Ship Entered/Will Enter Service(1)	Approximate Berths	Primary Areas of Operation
Celebrity Silhouette	2011	2011	2,850	Southern Caribbean, Europe
Celebrity Eclipse	2010	2010	2,850	South America, Alaska
Celebrity Equinox	2009	2009	2,850	Eastern/Western Caribbean
Celebrity Solstice	2008	2008	2,850	Australia, Alaska
Celebrity Xploration	2007	2016	20	Galapagos Islands
Celebrity Constellation	2002	2002	2,150	Middle East, India, Europe
Celebrity Summit	2001	2001	2,150	Southern Caribbean, Bermuda, Canada
Celebrity Infinity	2001	2001	2,150	Western Caribbean, Bahamas, Europe
Celebrity Xpedition	2001	2004	100	Galapagos Islands
Celebrity Millennium	2000	2000	2,150	Eastern Asia, Alaska
Celebrity Xperience	1982	2016	50	Galapagos Islands
Azamara Club Cruises				
Azamara Pursuit	2001	2018	700	South America, Europe
Azamara Quest	2000	2007	700	Australia, Asia, Alaska
Azamara Journey	2000	2007	700	Cuba, Europe
Silversea Cruises				
Muse	2017	2017	550	Australia, Asia, Alaska
Spirit	2009	2009	600	Southern Caribbean, Europe, Asia
Whisper	2001	2001	350	Southern Caribbean, Europe
Shadow	2000	2000	350	Asia, Europe, Southern Caribbean
Wind	1995	1995	250	Southern Caribbean, Europe, Canada
Cloud	1994	1994	250	South America, Europe
Galapagos	1990	2013	100	Galapagos Islands
Discoverer	1989	2014	100	Africa, Australia, Asia
Explorer	1989	2008	100	South America, Europe
Pullmantur				
Zenith	1992	2014	1,400	Europe
Monarch	1991	2013	2,350	Southern Caribbean
Horizon	1990	2010	1,400	Middle East, Europe
Sovereign	1988	2008	2,300	South America, Europe
TUI Cruises				
Mein Schiff 2 (2)	2019	2019	2,850	Europe, Southern Caribbean
Mein Schiff 1 (3)	2018	2018	2,850	Europe, Canada, Western Caribbean
Mein Schiff 6	2017	2017	2,500	Western Caribbean, Europe, Asia
Mein Schiff 5	2016	2016	2,500	Southern Caribbean, Europe, Middle East
Mein Schiff 4	2015	2015	2,500	Middle East, Europe
Mein Schiff 3	2014	2014	2,500	Asia, Europe
Mein Schiff Herz	1997	2011	1,900	Europe
Total			142,720	

(1) The year a ship entered service refers to the year in which the ship commenced or is expected to commence cruise revenue operations for the brand.

(2) TUI Cruises' newbuild entered service as Mein Schiff 2 in February 2019 and the existing Mein Schiff 2 was renamed Mein Schiff Herz.

(3) TUI Cruises' newbuild entered service as Mein Schiff 1 and the existing Mein Schiff 1, not included above, was transferred to an affiliate of TUI AG, our joint venture partner in TUI Cruises.

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As of December 31, 2018, our Global Brands and our Partner Brands have 16 ships on order. Two ships on order are being built in Germany by Meyer Werft GmbH, four are being built in Finland by Meyer Turku shipyard, four are being built in France by Chantiers de l'Atlantique (formerly known as STX France), four are being built in Italy by Fincantieri and two are being built in the Netherlands by De Hoop Lobith. As of December 31, 2018, the expected dates that the ships on order will enter service and their approximate berths are as follows:

Ship	Expected to Enter Service	Approximate Berths
Royal Caribbean International —		
Oasis-class:		
Unnamed	2nd Quarter 2021	5,500
Quantum-class:		
Spectrum of the Seas	2nd Quarter 2019	4,250
Odyssey of the Seas	4th Quarter 2020	4,250
Icon-class:		
Unnamed	2nd Quarter 2022	5,650
Unnamed	2nd Quarter 2024	5,650
Celebrity Cruises —		
Edge-class:		
Celebrity Apex	2nd Quarter 2020	2,900
Unnamed	4th Quarter 2021	3,200
Unnamed	4th Quarter 2022	3,200
Celebrity Flora	2nd Quarter 2019	100
Silversea Cruises —		
Silver Origin	1st Quarter 2020	100
Silver Moon	3rd Quarter 2020	550
Silver Dawn	3rd Quarter 2021	550
TUI Cruises (50% joint venture)—		
Mein Schiff 2 (1)	1st Quarter 2019	2,850
Mein Schiff 7	2nd Quarter 2023	2,850
Unnamed	3rd Quarter 2024	4,100
Unnamed	1st Quarter 2026	4,100
Total Berths		49,800

(1) TUI Cruises' newbuild entered service as Mein Schiff 2 in February 2019.

In addition, in September 2018, Silversea Cruises signed a memorandum of understanding with Meyer Werft to build two ships of a new generation of ships. The ships are expected to have an aggregate capacity of approximately 1,200 berths and are expected to enter service in 2022 and 2023, respectively. The memorandum of understanding with Meyer Werft is contingent upon the completion of final documentation and financing, which are expected to be completed in the first quarter of 2019.

In February 2019, we entered into an agreement with Chantiers de l'Atlantique to build the sixth Oasis-class ship for Royal Caribbean International. The ship is expected to have an aggregate capacity of approximately 5,700 berths and is expected to enter service in the fourth quarter of 2023. The order with Chantiers de l'Atlantique is contingent upon completion of conditions precedent and financing, which is expected to be completed in 2019.

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Seasonality

Our revenues are seasonal based on the demand for cruises. Demand is strongest for cruises during the Northern Hemisphere's summer months and holidays. In order to mitigate the impact of the winter weather in the Northern Hemisphere and to capitalize on the summer season in the Southern Hemisphere, our brands have focused on deployment in the Caribbean, Asia and Australia during that period.

Passengers and Capacity

Selected statistical information is shown in the following table (see Financial Presentation- Description of Certain Line Items and Selected Operational and Financial Metrics under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, for definitions):

	Year Ended December 31,				
	2018 (1)	2017	2016 (2)	2015	2014
Passengers Carried	6,084,201	5,768,496	5,754,747	5,401,899	5,149,952
Passenger Cruise Days	41,853,052	40,033,527	40,250,557	38,523,060	36,710,966
Available Passenger Cruise Days (APCD)	38,425,304	36,930,939	37,844,644	36,646,639	34,773,915
Occupancy	108.9%	108.4%	106.4%	105.1%	105.6%

(1) These amounts include only August and September 2018 amounts for Silversea Cruises due to the three-month reporting lag. Refer to Note 1. General and Note 3. Business Combination to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for more information on the three-month reporting lag and the Silversea Cruises acquisition.

(2) These amounts do not include November and December 2015 amounts for Pullmantur as the net Pullmantur result for those months was included within Other expense in our consolidated statements of comprehensive income (loss) for the year ended December 31, 2016, as a result of the elimination of the Pullmantur two-month reporting lag, and did not affect Gross Yields, Net Yields, Gross Cruise Costs, Net Cruise Costs and Net Cruise Costs Excluding Fuel. Additionally, effective August 2016, we no longer include Pullmantur in these amounts.

Cruise Pricing

Our cruise ticket prices include accommodations and a wide variety of activities and amenities, including meals and entertainment. Prices vary depending on many factors including the destination, cruise length, stateroom category selected and the time of year the cruise takes place. Although we grant credit terms in select markets mainly outside of the United States, our payment terms generally require an upfront deposit to confirm a reservation, with the balance due prior to the sailing. Our cruises are generally available for sale at least one year in advance and often more than two years in advance of sailing. During the selling period of a cruise, we continually monitor and adjust our cruise ticket prices for available guest staterooms based on demand, with the objective of maximizing net yields.

As we grow our business globally, our sale arrangements with travel agents may vary. For instance, although our direct business is growing at a rapid pace, sale arrangements through travel agent charter and group sales are proportionately higher in the China market than in our other markets which are primarily through retail agency and direct sales.

We have developed and implemented enhancements to our reservations system that provide us and our travel partners with additional capabilities, making it easier to do business with us.

We offer air transportation to our guests through our air transportation program available in major cities around the world. Generally, air tickets are sold to guests at prices close to cost which vary by gateway and destination.

Passenger ticket revenues accounted for approximately 72% of total revenues in 2018, 2017 and 2016.

Onboard Activities and Other Revenues

Our cruise brands offer modern fleets with a wide array of onboard services, amenities and activities which vary by brand and ship. While many onboard activities are included in the base price of a cruise, we realize additional revenues from, among other things, gaming, the sale of alcoholic and other beverages, Internet and other telecommunication services, gift shop items, shore excursions, photography, spa/salon and fitness services, art auctions,

retail shops and a wide variety of specialty restaurants and dining options. Many of these services are available for pre-booking prior to embarkation. These activities are provided either directly by us or by independent concessionaires from which we receive a percentage of their revenues.

In conjunction with our cruise vacations, we offer pre- and post-cruise hotel packages to our Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises, and Silversea Cruises guests. We also offer cruise vacation protection coverage to guests in a number of markets, which provides guests with coverage for trip cancellation, medical protection and baggage protection. Onboard and other revenues accounted for approximately 28% of total revenues in 2018, 2017 and 2016.

Segment Reporting

We control and operate four cruise brands, Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises, and Silversea Cruises. In addition, we have a 50% investment in a joint venture with TUI AG which operates the German brand TUI Cruises, a 49% interest in the Spanish brand Pullmantur and a 36% interest in the Chinese brand SkySea Cruises, which ceased cruising operations in September 2018. We believe our brands possess the versatility to enter multiple cruise market segments within the cruise vacation industry. Although each of our brands has its own marketing style as well as ships and crews of various sizes, the nature of the products sold and services delivered by our brands share a common base (i.e., the sale and provision of cruise vacations). Our brands also have similar itineraries as well as similar cost and revenue components. In addition, our brands source passengers from similar markets around the world and operate in similar economic environments with a significant degree of commercial overlap. As a result, our brands have been aggregated as a single reportable segment based on the similarity of their economic characteristics, types of consumers, regulatory environment, maintenance requirements, supporting systems and processes as well as products and services provided. Our Chairman and Chief Executive Officer has been identified as the chief operating decision-maker and all significant operating decisions including the allocation of resources are based upon the analyses of the Company as one segment. (For financial information, see Item 8. Financial Statements and Supplementary Data.)

Employees

As of December 31, 2018, our Global Brands employed approximately 77,000 employees, including 70,000 shipboard employees as well as 7,000 full-time and 100 part-time employees in our shoreside operations. As of December 31, 2018, approximately 89% of our shipboard employees were covered by collective bargaining agreements.

Insurance

We maintain insurance on the hull and machinery of our ships, with insured values generally equal to the net book value of each ship. This coverage is maintained with reputable insurance underwriters from the British, Scandinavian, French, United States and other reputable international insurance markets.

We are members of four Protection and Indemnity ("P&I") clubs, which are part of a worldwide group of 13 P&I clubs, known as the International Group of P&I Clubs (the “IG”). Liabilities, costs and expenses for illness and injury to crew, guest injury, pollution and other third-party claims in connection with our cruise activities are covered by our P&I clubs, subject to the clubs’ rules and the limits of coverage determined by the IG. P&I coverage provided by the clubs is on a mutual basis and we are subject to additional premium calls in the event of a catastrophic loss incurred by any member of the 13 P&I clubs, whereby the reinsurance limits purchased by the IG are exhausted. We are also subject to additional premium calls based on investment and underwriting shortfalls experienced by our own individual insurers.

We maintain war risk insurance for legal liability to crew, guests and other third parties as well as for loss or damage to our vessels arising from acts of war, including invasion, insurrection, terrorism, rebellion, piracy and hijacking. Our primary war risk coverage is provided by a Norwegian war risk insurance association and our excess war risk insurance is provided by our four P&I clubs. Consistent with most marine war risk policies, our coverage is subject to cancellation in the event of a change in risk. In the event of a war between major powers, our primary policies terminate after thirty days’ notice and our excess policies terminate immediately. Our excess policies are also subject to cancellation after a notice period of seven days in the event of other changes in risk. These notice periods allow for premiums to be renegotiated based on changes in risk.

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Insurance coverage for other exposures, such as shoreside property and casualty, passenger off-vessel, directors and officers and network security and privacy, are maintained with various global insurance companies.

We do not carry business interruption insurance for our ships based on our evaluation of the risks involved and protective measures already in place, as compared to the cost of insurance.

All insurance coverage is subject to certain limitations, exclusions and deductible levels. In addition, in certain circumstances, we either self-insure or co-insure a portion of these risks. Premiums charged by insurance carriers, including carriers in the maritime insurance industry, increase or decrease from time to time and tend to be cyclical in nature. These cycles are impacted both by our own loss experience and by losses incurred in direct and reinsurance markets. We historically have been able to obtain insurance coverage in amounts and at premiums we have deemed to be commercially acceptable. No assurance can be given that affordable and secure insurance markets will be available to us in the future, particularly for war risk insurance.

Trademarks

We own a number of registered trademarks related to the Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises and Silversea Cruises cruise brands. The registered trademarks include the name “Royal Caribbean International” and its crown and anchor logo, the name “Celebrity Cruises” and its “X” logo, the name “Azamara Club Cruises” and its globe with an “A” logo, the name “Silversea Cruises” and its logo, and the names of various cruise ships, as well as loyalty program names, ship venues and other marketing programs. We believe our largest brands' trademarks are widely recognized throughout the world and have considerable value. The duration of trademark registrations varies from country to country. However, trademarks are generally valid and may be renewed indefinitely as long as they are in use and/or their registrations are properly maintained.

Regulation

Our ships are regulated by various international, national, state and local laws, regulations and treaties in force in the jurisdictions in which they operate. In addition, our ships are registered in the Bahamas, Malta or in the case of our ships operating in the Galapagos Islands, Ecuador. Each ship is subject to regulations issued by its country of registry, including regulations issued pursuant to international treaties governing the safety of our ships, guests and crew as well as environmental protection. Each country of registry conducts periodic inspections to verify compliance with these regulations as discussed more fully below. Ships operating out of ports of call around the world are also subject to inspection by the maritime authorities of that country for compliance with international treaties and local regulations. Additionally, ships operating out of the United States ports are subject to inspection by the United States Coast Guard for compliance with international treaties and by the United States Public Health Service for sanitary and health conditions. Our ships are also subject to similar inspections pursuant to the laws and regulations of various other countries our ships visit.

We believe that we are in material compliance with all the regulations applicable to our ships and that we have all licenses necessary to conduct our business. Health, safety, security, environmental and financial responsibility issues are, and we believe will continue to be, an area of focus by the relevant government authorities in the United States and internationally. From time to time, various regulatory and legislative changes may be proposed that could impact our operations and subject us to increasing compliance costs in the future.

Safety and Security Regulations

Our ships are required to comply with international safety standards defined in the International Convention for Safety of Life at Sea (“SOLAS”), which, among other things, establishes requirements for ship design, structural features, materials, construction, lifesaving equipment and safe management and operation of ships to ensure guest and crew safety. The SOLAS standards are revised from time to time and changes are incorporated into the operation of our ships. Compliance with these modified standards have not historically had a material effect on our operating costs. SOLAS incorporates the International Safety Management Code (“ISM Code”), which provides an international standard for the safe management and operation of ships and for pollution prevention. The ISM Code is mandatory for all vessels, including passenger vessel operators.

All of our operations and ships are regularly audited by various national authorities, and we are required to maintain the relevant certificates of compliance with the ISM Code.

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Our ships are subject to various security requirements, including the International Ship and Port Facility Security Code (“ISPS Code”), which is part of SOLAS, and the U.S. Maritime Transportation Security Act of 2002 (“MTSA”), which applies to ships that operate in U.S. ports. In order to satisfy these security requirements, we implement security measures, conduct vessel security assessments, and develop security plans. The security plans for all of our ships have been submitted to and approved by the respective countries of registry for our ships in compliance with the ISPS Code and the MTSA.

The Cruise Vessel Security and Safety Act of 2010, which applies to passenger vessels which embark or include port stops within the United States, requires the implementation of certain safety design features as well as the establishment of practices for the reporting of and dealing with allegations of crime. The cruise industry supported this legislation and we believe that our internal standards are generally as strict or stricter than the law requires. A few provisions of the law call for regulations which have not yet been finalized. We do not expect the proposed regulations will have a material impact to our operations.

Environmental Regulations

We are subject to various international and national laws and regulations relating to environmental protection. Under such laws and regulations, we are generally prohibited from discharging materials other than food waste into the waterways. We have made, and will continue to make, capital and other expenditures to comply with environmental laws and regulations. From time to time, environmental and other regulators consider more stringent regulations, which may affect our operations and increase our compliance costs. We believe that the impact of ships on the global environment will continue to be an area of focus by the relevant authorities throughout the world and, accordingly, may subject us to increasing compliance costs in the future, including the items described below.

Our ships are subject to the International Maritime Organization’s (‘‘IMO’’) regulations under the International Convention for the Prevention of Pollution from Ships (the ‘‘MARPOL Regulations’’) and the International Convention for the Control and Management of Ships Ballast Water and Sediments (Ballast Water Management Convention), which includes requirements designed to minimize pollution by oil, sewage, garbage, air emissions and the transfer of non-native/non-indigenous species. We have obtained the relevant international compliance certificates relating to oil, sewage, air pollution prevention and ballast water for all of our ships.

The MARPOL Regulations impose global limitations on the sulfur content of emissions emitted by ships operating worldwide to 3.5%, which will be further reduced to 0.5% beginning in January 2020. We do not expect this reduced limitation will have a material impact to our results of operations largely due to a number of mitigating steps we have taken over the last several years, including equipping all of our new ships delivered during or after 2014 with advanced emissions purification ("AEP") systems covering all engines and actively developing and testing AEP systems on the majority of our remaining fleet.

The MARPOL Regulations also establish special Emission Control Areas (‘‘ECAs’’) with stringent limitations on sulfur emissions in these areas. There are four established ECAs that restrict sulfur emissions: the Baltic Sea, the North Sea/English Channel, certain waters surrounding the North American coast, and the waters surrounding Puerto Rico and the U.S. Virgin Islands (the “Caribbean ECA”). Ships operating in these sulfur ECAs have been required to reduce their emissions sulfur content from 1.0% to 0.1%. This reduction has not had a significant impact on our results of operations to date due to the mitigating steps described above.

We continue to implement our AEP system strategy both for our ships on order and for the majority of the ships on our fleet. As our new ships are delivered, they will provide us with additional operational and deployment flexibility. From 2014 to 2017, we had in place exemptions for 19 of our ships which applied while they were sailing in the North American and Caribbean ECAs. These exemptions delayed the requirement to comply with the additional sulfur content reduction pending our continued development and deployment of AEP systems on these ships. By the end of 2018, we completed installations on all ships covered by the exemptions. We believe that the learning from our existing endeavors as well as our further efforts with regards to this technology will allow us to continue an effective AEP system retrofit strategy for our fleet.

All new ships that began construction after January 1, 2016 are required to meet more stringent nitrogen oxide emission limits when operating within the North American and U.S. Caribbean Sea ECA. We comply with these rules

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for those relevant ships in service. All of our ships under construction are being built to comply with these rules. These rules have not had and are not expected to have a significant impact to our operations or costs.

Effective July 1, 2015, the European Commission adopted legislation that requires cruise ship operators with ships visiting ports in the European Union to monitor and report on the ship's annual carbon dioxide emissions starting in 2018. Compliance with this regulation did not have a material impact to our costs or results of operations in 2018. Additionally, in 2019, the IMO's monitoring and reporting system (IMO data and collection system), which is applicable to all ship itineraries, will enter into force. While we do not expect compliance with either of these regulations to materially impact our costs or results of operations, the legislations both present the new monitoring and reporting requirements as the first step of a staged approach, which could ultimately result in additional costs or charges associated with carbon dioxide emissions.

The IMO Ballast Water Management Convention, which came in effect in 2017, requires ships that carry and discharge ballast water to meet specific discharge standards by installing Ballast Water Treatment Systems within the next five years. Compliance with this regulation has not had a material effect on our results of operations and we do not expect the continuing compliance with this regulation to have a material effect on our results of operations.

Refer to Item 1A. Risk Factors - "Environmental, labor, health and safety, financial responsibility and other maritime regulations could affect operations and increase costs" for further discussion of the risks associated with the regulations discussed above.

Consumer Financial Responsibility Regulations

We are required to obtain certificates from the United States Federal Maritime Commission relating to our ability to satisfy liability in cases of non-performance of obligations to guests, as well as casualty and personal injury. As a condition to obtaining the required certificates, we generally arrange through our insurers for the provision of surety for our ship-operating companies. The required amount is currently $30.0 million per operator and is subject to additional consumer price index based adjustments.

We are also required by the United Kingdom, Norway, Finland and the Baltics to establish our financial responsibility for any liability resulting from the non-performance of our obligations to guests from these jurisdictions. In the United Kingdom we are currently required by the Association of British Travel Agents to provide performance bonds totaling approximately £74 million. The Norwegian Travel Guarantee Fund requires us to maintain performance bonds in varying amounts during the course of the year to cover our financial responsibility in Norway, Finland and the Baltics. These amounts ranged from NOK 44 million to NOK 116 million during 2018.

Certain other jurisdictions also require that we establish financial responsibility to our guests resulting from the non-performance of our obligations; however, the related amounts do not have a material effect on our costs.

Taxation of the Company

The following is a summary of our principal taxes, exemptions and special regimes. In addition to or instead of income taxation, virtually all jurisdictions where our ships call impose some tax or fee, or both, based on guest headcount, tonnage or some other measure. We also collect and remit value added tax (VAT) or sales tax in many jurisdictions where we operate.

Our consolidated operations are primarily foreign corporations engaged in the owning and operating of passenger cruise ships in international transportation.

U.S. Income Taxation

The following is a discussion of the application of the U.S. federal and state income tax laws to us and is based on the current provisions of the U.S. Internal Revenue Code, Treasury Department regulations, administrative rulings, court decisions and the relevant state tax laws, regulations, rulings and court decisions of the states where we have business operations. All of the foregoing is subject to change, and any such change could affect the accuracy of this discussion.

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Application of Section 883 of the Internal Revenue Code

We, Celebrity Cruises, Inc. and Silversea Cruises Ltd. are engaged in a trade or business in the United States, and many of our ship-owning subsidiaries, depending upon the itineraries of their ships, receive income from sources within the United States. Additionally, our United Kingdom tonnage tax company is a ship-operating company classified as a disregarded entity for U.S. federal income tax purposes that may earn U.S. source income. Under Section 883 of the Internal Revenue Code, certain foreign corporations may exclude from gross income (and effectively from branch profits tax as such earnings do not give rise to effectively connected earnings and profits) U.S. source income derived from or incidental to the international operation of a ship or ships, including income from the leasing of such ships.

A foreign corporation will qualify for the benefits of Section 883 if, in relevant part: (1) the foreign country in which the foreign corporation is organized grants an equivalent exemption to corporations organized in the United States; and (2) the stock of the corporation (or the direct or indirect corporate parent thereof) is “primarily and regularly traded on an established securities market” in the United States. In the opinion of our U.S. tax counsel, Drinker Biddle & Reath LLP, based on the representations and assumptions set forth in that opinion, we, Celebrity Cruises Inc., and our ship-owning subsidiaries with U.S. source shipping income qualify for the benefits of Section 883 because we and each of those subsidiaries are incorporated in Liberia, which is a qualifying country, and our common stock is primarily and regularly traded on an established securities market in the United States (i.e., we are a "publicly traded" corporation). In addition, in the opinion of Drinker Biddle and Reath LLP, based on the representations and assumptions set forth in that opinion, Silversea Cruises Ltd. and its ship-owning subsidiaries with U.S. source shipping income qualify for the benefits of Section 883 because Silversea Cruises Ltd. and each of those subsidiaries is incorporated in Bahamas, which is a qualifying country, and more than 50% of Silversea Cruises Ltd.’s shares were indirectly owned (through a number of intermediary non U.S. companies) by a qualifying individual, and such individual and intermediary entities have complied with the relevant document requirements. If, in the future, (1) Liberia or Bahamas no longer qualify as equivalent exemption jurisdictions, and we do not reincorporate in a jurisdiction that does qualify for the exemption, or (2) we fail to qualify as a publicly traded corporation, we and all of our ship-owning or operating subsidiaries that rely on Section 883 to exclude qualifying income from gross income would be subject to U.S. federal income tax on their U.S. source shipping income and income from activities incidental thereto.

We believe that most of our income and the income of our ship-owning subsidiaries, including our U.K. tonnage tax company which is considered a division for U.S. tax purposes, is derived from or incidental to the international operation of a ship or ships and, therefore, is exempt from taxation under Section 883.

Regulations under Section 883 list activities that are not considered by the Internal Revenue Service to be incidental to the international operation of ships including the sale of air and land transportation, shore excursions and pre- and post-cruise tours. Our income from these activities that is earned from sources within the United States will be subject to U.S. taxation.

Taxation in the Absence of an Exemption Under Section 883

If we, the operator of our vessels, Celebrity Cruises Inc., Silversea Cruises Ltd., or our ship-owning subsidiaries were to fail to meet the requirements of Section 883 of the Internal Revenue Code, or if the provision was repealed, then, as explained below, such companies would be subject to U.S. income taxation on a portion of their income derived from or incidental to the international operation of our ships.

Because we, Celebrity Cruises Inc. and Silversea Cruises Ltd. conduct a trade or business in the United States, we, Celebrity Cruises Inc. and Silversea Cruises Ltd. would be taxable at regular corporate rates on our separate company taxable income (i.e., without regard to the income of our ship-owning subsidiaries) on income which is effectively connected with our U.S. trade or business (generally only income from U.S. sources). In addition, if any of our earnings and profits effectively connected with our U.S. trade or business were withdrawn, or were deemed to have been withdrawn, from our U.S. trade or business, those withdrawn amounts would be subject to a “branch profits” tax at the rate of 30%. We, Celebrity Cruises Inc. and Silversea Cruises Ltd. would also be potentially subject to tax on portions of certain interest paid by us at rates of up to 30%.

If Section 883 were not available to our ship-owning subsidiaries, each such subsidiary would be subject to a

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special 4% tax on its U.S. source gross transportation income, if any, each year because it does not have a fixed place of business in the United States and its income is derived from the leasing of a ship.

Other United States Taxation

We, Celebrity Cruises Inc. and Silversea Cruises Ltd. earn U.S. source income from activities not considered incidental to international shipping. The tax on such income is not material to our results of operation for all years presented.

State Taxation

We, Celebrity Cruises Inc., Silversea Cruises Ltd. and certain of our subsidiaries are subject to various U.S. state income taxes which are generally imposed on each state’s portion of the U.S. source income subject to federal income taxes. Additionally, the state of Alaska subjects an allocated portion of the total income of companies doing business in Alaska and certain other affiliated companies to Alaska corporate state income taxes and also imposes a 33% tax on adjusted gross income from onboard gambling activities conducted in Alaska waters. This did not have a material impact to our results of operations for all years presented.

2017 Tax Cuts and Jobs Act

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law. Among other things, the new legislation reduced the federal corporate income tax rate to 21% from 35%, resulting in an immaterial benefit in 2017 related to the reduction of our U.S. deferred tax liability. Although there are a number of provisions which apply to us, there was no material impact to our overall tax expense as a result of the legislation.

Maltese and Spanish Income Taxation

Effective July 31, 2016, we sold 51% of our interest in Pullmantur Holdings S.L. ("Pullmantur Holdings"), the parent company of the Pullmantur brand. We account for our retained investment under the equity method of accounting. There was no tax impact to us as a result of this sale transaction. The surviving Pullmantur company continues to be subject to the tax laws of Spain and Malta, among others.

Under the sale agreement, we remain responsible for pre-sale tax matters with respect to years that are still open under the statute of limitations.

United Kingdom Income Taxation

During the year ended December 31, 2018, we operated 16 ships under the United Kingdom tonnage tax regime (“U.K. tonnage tax”).

Companies subject to U.K. tonnage tax pay a corporate tax on a notional profit determined with reference to the net tonnage of qualifying vessels. The requirements for a company to qualify for the U.K. tonnage tax regime include being subject to U.K. corporate income tax, operating qualifying ships, which are strategically and commercially managed in the United Kingdom, and fulfilling a seafarer training requirement.

Relevant shipping profits include income from the operation of qualifying ships and from shipping related activities. Our U.K. income from non-shipping activities which do not qualify under the U.K. tonnage tax regime and which are not considered significant, remain subject to regular U.K. corporate income tax.

Brazilian Income Taxation

Previously, Pullmantur and our U.K. tonnage tax company chartered certain ships to Brazilian subsidiary companies for operations in Brazil. Both Pullmantur and Royal Caribbean International ceased charters to Brazilian subsidiary companies in January 2016 and March 2016, respectively. While Brazilian charters took place, the Brazilian subsidiaries' earnings were subject to Brazilian taxation which was not considered significant. The charter payments made to the U.K. tonnage tax company and to Pullmantur were exempt from Brazilian income tax under Brazilian

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domestic law. Additionally, remittances of revenue from sales of certain cruises in the Brazilian market are subject to taxation.

Chinese Taxation

Our U.K. tonnage tax company operates ships in international transportation in China. The income earned from this operation is exempt from taxation in China under the U.K./China double tax treaty and other circulars addressing indirect taxes. Changes to or failure to qualify for the treaty or circular could cause us to lose the benefits provided which would have a material impact on our results of operations. Our Chinese income from non-shipping activities or from shipping activities not qualifying for treaty or circular protection and which are considered insignificant, remain subject to Chinese taxation.

Other Taxation

We and certain of our subsidiaries are subject to value-added and other indirect taxes most of which are reclaimable, zero-rated or exempt.

Website Access to Reports

We make available, free of charge, access to our Annual Reports, all quarterly and current reports and all amendments to those reports, as soon as reasonably practicable after such reports are electronically filed with or furnished to the Securities and Exchange Commission through our website at www.rclcorporate.com. The information contained on our website is not a part of any of these reports and is not incorporated by reference herein.

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Executive Officers of the Company

As of February 22, 2019, our executive officers are:

Name	Age	Position
Richard D. Fain	71	Chairman, Chief Executive Officer and Director
Jason T. Liberty	43	Executive Vice President, Chief Financial Officer
Michael W. Bayley	60	President and Chief Executive Officer, Royal Caribbean International
Lisa Lutoff-Perlo	61	President and Chief Executive Officer, Celebrity Cruises
Lawrence Pimentel	67	President and Chief Executive Officer, Azamara Club Cruises
Harri U. Kulovaara	66	Executive Vice President, Maritime
Bradley H. Stein	63	Senior Vice President, General Counsel, Chief Compliance Officer
Henry L. Pujol	51	Senior Vice President, Chief Accounting Officer

Richard D. Fain has served as a director since 1981 and as our Chairman and Chief Executive Officer since 1988. Mr. Fain is a recognized industry leader, having participated in shipping for over 40 years and having held a number of prominent industry positions, such as Chairman of the Cruise Lines International Association (CLIA), the largest cruise industry trade association. He currently serves as Chairman of the University of Miami Board of Trustees as well as serving on the National Board of the Posse Foundation. He is also former chairman of the Miami Business Forum, the Greater Miami Convention and Visitors Bureau, and the United Way of Miami-Dade.

Jason T. Liberty has been employed by the Company since 2005 and has served as Chief Financial Officer since May 2013. From May 2013 to February 2017, he served as Senior Vice President and Chief Financial Officer, and from February 2017 to May 2018, Mr. Liberty served as Executive Vice President and Chief Financial Officer, in each case overseeing the Company's Treasury, Accounting, Corporate, Strategic and Revenue Planning, Corporate Development, Deployment, Internal Audit and Investor Relations functions. Since May 2018, in addition to the above functions, he has also overseen the Company's Information Technology, Supply Chain, Risk Management, Legal and Port Operations functions. Prior to his role as Chief Financial Officer, Mr. Liberty served as Senior Vice President, Strategy and Finance from September 2012 through May 2013, overseeing the Company's Corporate and Strategic Planning, Treasury, Investor Relations and Deployment functions. Prior to this, Mr. Liberty served, from 2010 through 2012, as Vice President of Corporate and Revenue Planning and, from 2008 to 2010, as Vice President of Corporate and Strategic Planning. Before joining Royal Caribbean, Mr. Liberty was a Senior Manager at the international public accounting firm of KPMG LLP.

Michael W. Bayley has served as President and Chief Executive Officer of Royal Caribbean International since December 2014. Prior to this, he served as President and Chief Executive Officer of Celebrity Cruises since August 2012. Mr. Bayley has been employed by Royal Caribbean for over 30 years, having started as an Assistant Purser onboard one of the Company's ships. He has served in a number of roles including as Executive Vice President, Operations from February 2012 until August 2012. Other positions Mr. Bayley has held include Executive Vice President, International from May 2010 until February 2012; Senior Vice President, International from December 2007 to May 2010; Senior Vice President, Hotel Operations for Royal Caribbean International; and Chairman and Managing Director of Island Cruises.

Lisa Lutoff-Perlo has served as President and Chief Executive Officer of Celebrity Cruises since December 2014. Prior to this, she served as Executive Vice President, Operations for Royal Caribbean International from September 2012 to December 2014, where she was responsible for all of Royal Caribbean International's hotel, marine and port operations. Ms. Lutoff-Perlo has been employed with the Company since 1985 in a variety of positions within both Celebrity Cruises and Royal Caribbean International. She started at Royal Caribbean International as District Sales Manager for New England and from August 2008 to August 2012 she was responsible for Celebrity Cruises' hotel operation.

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Lawrence Pimentel has served as President and Chief Executive Officer of Azamara Club Cruises since July 2009. From 2001 until January 2009, Mr. Pimentel was President, Chief Executive Officer, Director and co-owner of SeaDream Yacht Club, a privately held luxury cruise line located in Miami, Florida with two yacht-style ships that sailed primarily in the Caribbean and Mediterranean. From April 1991 to February 2001, Mr. Pimentel was President and Chief Executive Officer of Carnival Corp.'s Seabourn Cruise Line and from May 1998 to February 2001, he was President and Chief Executive Officer of Carnival Corp.'s Cunard Line.

Harri U. Kulovaara has served as Executive Vice President, Maritime since January 2005. Mr. Kulovaara is responsible for fleet design and newbuild operations. Mr. Kulovaara also chairs our Maritime Safety Advisory Board. Mr. Kulovaara has been employed with Royal Caribbean since 1995 in a variety of positions, including Senior Vice President, Marine Operations, and Senior Vice President, Quality Assurance. Mr. Kulovaara is a naval architect and engineer.

Bradley H. Stein has served as General Counsel and Corporate Secretary of the Company since 2006. He has also served as Senior Vice President and Chief Compliance Officer of the Company since February 2009 and February 2011, respectively. Mr. Stein has been with Royal Caribbean since 1992. Before joining Royal Caribbean, Mr. Stein worked in private practice in New York and Miami.

Henry L. Pujol has served as Senior Vice President, Chief Accounting Officer of the Company since May 2013. Mr. Pujol originally joined Royal Caribbean in 2004 as Assistant Controller and was promoted to Corporate Controller in May 2007. Before joining Royal Caribbean, Mr. Pujol was a Senior Manager at the international public accounting firm of KPMG LLP.

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Item 1A. Risk Factors

The risk factors set forth below and elsewhere in this Annual Report on Form 10-K are important factors that could cause actual results to differ from expected or historical results. It is not possible to predict or identify all such risks. There may be additional risks that we consider not to be material, or which are not known, and any of these risks could have the effects set forth below. The ordering of the risk factors set forth below is not intended to reflect any Company indication of priority or likelihood. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for a cautionary note regarding forward-looking statements.

Adverse worldwide economic or other conditions could reduce the demand for cruises and passenger spending, adversely impacting our operating results, cash flows and financial condition including potentially impairing the value of our ships and other assets.

The demand for cruises is affected by international, national and local economic conditions. Weak or uncertain economic conditions impact consumer confidence and pose a risk as vacationers may postpone or reduce discretionary spending. This, in turn, may result in cruise booking slowdowns, decreased cruise prices and lower onboard revenues. Given the global nature of our business, we are exposed to many different economies and our business could be hurt by challenging conditions in any of our markets. Any significant deterioration of international, national or local economic conditions could result in a prolonged period of booking slowdowns, depressed cruise prices and reduced onboard revenues.

Fears of terrorist attacks, war, and other hostilities could have a negative impact on our results of operations.

Events such as terrorist attacks, war (or war-like conditions), conflicts (domestic or cross-border), civil unrest and other hostilities, including an escalation in the frequency or severity of incidents, and the resulting political instability, travel restrictions and advisories, and concerns over safety and security aspects of traveling or the fear of any of the foregoing have had, and could have in the future, a significant adverse impact on demand and pricing in the travel and vacation industry. In view of our global operations, we are susceptible to a wide range of adverse events. These events could also result in additional security measures taken by local authorities which may potentially impact access to ports and/or destinations.

Our operating costs could increase due to market forces and economic or geo-political factors beyond our control.

Our operating costs, including fuel, food, payroll and benefits, airfare, taxes, insurance and security costs, are all subject to increases due to market forces and economic or geo-political conditions or other factors beyond our control. Increases in these operating costs could adversely affect our profitability.

Fluctuations in foreign currency exchange rates, fuel prices and interest rates could affect our financial results.

We are exposed to market risk attributable to changes in foreign currency exchange rates, fuel prices and interest rates. Significant changes in any of the foregoing could have a material impact on our financial results, net of the impact of our hedging activities and natural offsets. Our operating results have been and will continue to be impacted, often significantly, by changes in each of these factors. The value of our earnings in foreign currencies is adversely impacted by a strong United States dollar. In addition, any significant increase in fuel prices could materially and adversely affect our business as fuel prices not only impact our fuel costs, but also some of our other expenses, such as crew travel, freight and commodity prices. Also, a significant increase in interest rates could materially impact the cost of our floating rate debt. Furthermore, regulatory changes, such as the announcement of the United Kingdom's Financial Conduct Authority to phase out LIBOR by the end of 2021, may adversely affect our portfolio of floating-rate debt and interest rate derivatives. If LIBOR ceases to exist, we may need to renegotiate any credit agreements or interest rate derivatives agreements extending beyond 2021 that utilize LIBOR as a factor in determining the interest rate or hedge rate, which could adversely impact our cost of debt.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for more information.

Conducting business globally may result in increased costs and other risks.

We operate our business globally. Operating internationally exposes us to a number of risks, including increased exposure to a wider range of regional and local economic conditions, volatile local political conditions, potential

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changes in duties and taxes, including changing and/or uncertain interpretations of existing tax laws and regulations, required compliance with additional laws and policies affecting cruising, vacation or maritime businesses or governing the operations of foreign-based companies, currency fluctuations, interest rate movements, difficulties in operating under local business environments, port quality and availability in certain regions, U.S. and global anti-bribery laws or regulations, imposition of trade barriers and restrictions on repatriation of earnings.

Our future growth strategies increasingly depend on the growth and sustained profitability of certain international markets, such as China. Some factors that will be critical to our success in developing these markets may be different than those affecting our more-established North American and European markets. In the Chinese market, in particular, our future success depends on our ability to continue to raise awareness of our products, evolve the available distribution channels and adapt our offerings to best suit the Chinese consumer. China’s economy differs from the economies of other developed countries in many respects and, as the legal and regulatory system in China continues to evolve, there may be greater uncertainty as to the interpretation and enforcement of applicable laws and regulations. In March 2017, China's National Tourism Administration issued a directive to travel agents to halt sales of holiday packages to South Korea. This travel restriction has had a direct impact on our related itineraries impacting the overall performance of our China business. It is uncertain what the ultimate scope and duration of this restriction will be, but to the extent that this or similar sanctions affecting regional travel and/or tourism continues or are put in place, it may impact local demand, available cruise itineraries and the overall financial performance of the China market.

Operating globally also exposes us to numerous and sometimes conflicting legal, regulatory and tax requirements. In many parts of the world, including countries in which we operate, practices in the local business communities might not conform to international business standards. We must adhere to policies designed to promote legal and regulatory compliance as well as applicable laws and regulations. However, we might not be successful in ensuring that our employees, agents, representatives and other third parties with whom we associate throughout the world properly adhere to them. Failure by us, our employees or any of these third parties to adhere to our policies or applicable laws or regulations could result in penalties, sanctions, damage to our reputation and related costs which in turn could negatively affect our results of operations and cash flows.

We have operations in and source passengers from the United Kingdom and other member countries of the European Union. In March 2017, the United Kingdom notified the European Council of its intent to withdraw from the European Union. Since the initial referendum in June 2016, the expected withdrawal has resulted in increased volatility in the global financial markets and, in particular, in global currency exchange rates. The expected withdrawal could potentially adversely affect tax, legal and regulatory regimes to which our business in the region is subject. The expected withdrawal could also, among other potential outcomes, disrupt the free movement of goods, services and people between the United Kingdom and the European Union. Further, as the expected withdrawal approaches, continued uncertainty around these issues could lead to adverse effects on the economy of the United Kingdom, including the value of the British Pound, and the other economies in which we operate, making it more difficult to source passengers from these regions. These risks may be exacerbated if a structured withdrawal agreement is not ratified before the March 29, 2019 deadline, and/or if voters of other countries within the European Union similarly elect to exit the European Union in future referendums.

As a global operator, our business may be also impacted by changes in U.S. policy or priorities in areas such as trade, immigration and/or environmental or labor regulations, among others. Depending on the nature and scope of any such changes, they could impact our domestic and international business operations. Any such changes, and any international response to them, could potentially introduce new barriers to passenger or crew travel and/or cross border transactions, impact our guest experience and/or increase our operating costs. For example, we are currently monitoring developments in Venezuela as well as the U.S. government's recent comments regarding its policy towards Cuba and its impact to our business. A significant shift in U.S. policy towards Cuba, including the administration’s possible taking action to limit the ability of companies like us to continue to conduct business in Cuba, and/or a significant deterioration in the Cuban economy could impact our Cuban itineraries and associated ticket and tour revenues.

In addition, the administration has stated it is reviewing whether to continue to suspend the right of private parties to bring litigation under the Helms-Burton Act against companies making unauthorized use of property confiscated by the Cuban government. If such suspension is lifted, monetary and other claims may be brought against us and other companies doing business in Cuba. Although we believe we have meritorious defenses to any such claims, it is possible that such claims could lead to an adverse impact on our business.

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If we are unable to address these risks adequately, our financial position and results of operations could be adversely affected, including potentially impairing the value of our ships and other assets.

Price increases for commercial airline service for our guests or major changes or reduction in commercial airline service and/or availability could adversely impact the demand for cruises and undermine our ability to provide reasonably priced vacation packages to our guests.

Many of our guests depend on scheduled commercial airline services to transport them to or from the ports where our cruises embark or disembark. Increases in the price of airfare would increase the overall price of the cruise vacation to our guests, which may adversely impact demand for our cruises. In addition, changes in the availability of commercial airline services could adversely affect our guests' ability to obtain airfare, as well as our ability to fly our guests to or from our cruise ships, which could adversely affect our results of operations.

Incidents or adverse publicity concerning our ships, port facilities, land destinations and/or passengers or the cruise vacation industry in general, unusual weather conditions and other natural disasters or disruptions could affect our reputation as well as impact our sales and results of operations.

The ownership and/or operation of cruise ships, private destinations, port facilities and shore excursions involves the risk of accidents, illnesses, mechanical failures, environmental incidents and other incidents which may bring into question safety, health, security and vacation satisfaction which could negatively impact our reputation. Incidents involving cruise ships, and, in particular the safety, health and security of guests and crew and media coverage thereof have impacted and could in the future impact demand for our cruises and pricing in the industry. Our reputation and our business could also be damaged by negative publicity regarding the cruise industry in general, including publicity regarding the spread of contagious disease and the potentially adverse environmental impacts of cruising. The considerable expansion in the use of social media and digital marketing over recent years has compounded the potential scope of any negative publicity. If any such incident or news cycle occurs during a time of high seasonal demand, the effect could disproportionately impact our results of operations for the year. In addition, incidents involving cruise ships may result in additional costs to our business, increasing government or other regulatory oversight and, in the case of incidents involving our ships, potential litigation.

Our cruise ships, port facilities and land destinations may also be adversely impacted by weather or natural disasters or disruptions, such as hurricanes. We are often forced to alter itineraries and occasionally cancel a cruise or a series of cruises or to redeploy our ships due to these types of events, which could have an adverse effect on our sales and profitability in the current and future periods. Increases in the frequency, severity or duration of severe weather events, including those related to climate change, could exacerbate their impact and cause further disruption to our operations or make certain destinations less desirable. In addition, these and any other events which impact the travel industry more generally may negatively impact our ability to deliver guests or crew to our cruises and/or interrupt our ability to obtain services and goods from key vendors in our supply chain. Any of the foregoing could have an adverse impact on our results of operations and on industry performance.

An increase in capacity worldwide or excess capacity in a particular market could adversely impact our cruise sales and/or pricing.

Although our ships can be redeployed, cruise sales and/or pricing may be impacted by the introduction of new ships into the marketplace, reductions in cruise capacity, overall market growth and deployment decisions of ourselves and our competitors. As of December 31, 2018, a total of 89 new ships with approximately 198,000 berths are on order for delivery through 2023 in the cruise industry. The further net growth in capacity from these new ships and future orders, without an increase in the cruise industry's demand and/or share of the vacation market, could depress cruise prices and impede our ability to achieve yield improvement.

In addition, to the extent that we or our competitors deploy ships to a particular itinerary and the resulting capacity in that region exceeds the demand, we may lower pricing and profitability may be lower than anticipated. This risk exists in emerging cruise markets, such as China, where capacity has grown rapidly over the past few years and in mature markets where excess capacity is typically redeployed. Any of the foregoing could have an adverse impact on our results of operations, cash flows and financial condition, including potentially impairing the value of our ships and other assets.

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Unavailability of ports of call may adversely affect our results of operations.

We believe that port destinations are a major reason why guests choose to go on a particular cruise or on a cruise vacation. The availability of ports and destinations is affected by a number of factors, including existing capacity constraints, constraints related to the size of certain ships, security, environmental and health concerns, adverse weather conditions and natural disasters, financial limitations on port development, exclusivity arrangements that ports may have with our competitors, geopolitical developments, local governmental regulations and local community concerns about port development and other adverse impacts on their communities from additional tourists and overcrowding. In addition, fuel costs may adversely impact the destinations on certain of our itineraries.

Today certain ports and destinations are facing a surge of both cruise and non-cruise tourism which, in certain cases, has fueled anti-tourism sentiments and related countermeasures to limit the volume of tourists allowed in these destinations, including proposed limits on cruise ships and cruise passengers. In 2019, for example, the local government of Dubrovnik, Croatia will cap the number of cruise ships that can dock each day to two and the number of corresponding passengers to 5,000. Similar potential restrictions in ports and destinations such as Barcelona, Venice, Amsterdam and the Norwegian fjords could limit the itinerary and destination options we can offer our passengers going forward.

Any limitations on the availability or feasibility of our ports of call or on the availability of shore excursions and other service providers at such ports could adversely affect our results of operations.

Our reliance on shipyards, their subcontractors and our suppliers to implement our newbuild and ship upgrade programs and to repair and maintain our ships exposes us to risks which, if realized, could adversely impact our business.

We rely on shipyards, their subcontractors and our suppliers to effectively construct our new ships and to repair, maintain and upgrade our existing ships on a timely basis and in a cost effective manner.

There are a limited number of shipyards with the capability and capacity to build our new ships. Increased demand for available new construction slots and/or continued consolidation in the cruise shipyard industry could impact our ability to: (1) construct new ships, when and as planned, (2) cause us to continue to commit to new ship orders earlier than we have historically done so and/or (3) result in stronger bargaining power on the part of the shipyards and the export credit agencies providing financing for the project. Our inability to timely and cost-effectively procure new capacity could have a significant negative impact on our future business plans and results of operations.

Building, repairing, maintaining and/or upgrading a ship is sophisticated work that involves significant risks. In addition, the prices of labor and/or various commodities that are used in the construction of ships can be subject to volatile price changes, including the impact of fluctuations in foreign exchange rates. Shipyards, their subcontractors and/or our suppliers may encounter financial, technical or design problems when doing these jobs. If materialized, these problems could impact the timely delivery or costs of new ships or the ability of shipyards to repair and upgrade our fleet in accordance with our needs or expectations. In addition, delays or mechanical faults may result in cancellation of cruises or, in more severe situations, new ship orders, or necessitate unscheduled drydocks and repairs of ships. These events and any related adverse publicity could result in lost revenue, increased operating expenses, or both, and thus adversely affect our results of operations.

We may lose business to competitors throughout the vacation market.

We operate in the vacation market and cruising is one of many alternatives for people choosing a vacation. We therefore risk losing business not only to other cruise lines, but also to other vacation operators, which provide other leisure options, including hotels, resorts, internet-based alternative lodging sites and package holidays and tours.

We face significant competition from other cruise lines on the basis of cruise pricing, travel agent preference and also in terms of the nature of ships and services we offer to guests. Our principal competitors within the cruise vacation industry include Carnival Corporation & plc, which owns, among others, Aida Cruises, Carnival Cruise Line, Costa Cruises, Cunard Line, Holland America Line, P&O Cruises, Princess Cruises and Seabourn; Disney Cruise Line; MSC Cruises; and Norwegian Cruise Line Holdings Ltd, which owns Norwegian Cruise Line, Oceania Cruises and Regent Seven Seas Cruises. Our revenues are sensitive to the actions of other cruise lines in many areas including pricing, scheduling, capacity and promotions, which can have a substantial adverse impact not only on our revenues, but on overall industry revenues.

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In the event that we do not effectively market or differentiate our cruise brands from our competitors or otherwise compete effectively with other vacation alternatives and new or existing cruise companies, our results of operations and financial position could be adversely affected.

We may not be able to obtain sufficient financing or capital for our needs or may not be able to do so on terms that are acceptable or consistent with our expectations.

To fund our capital expenditures (including new ship orders), operations and scheduled debt payments, we have historically relied on a combination of cash flows provided by operations, drawdowns under available credit facilities, the incurrence of additional indebtedness and the sale of equity or debt securities in private or public securities markets. Any circumstance or event which leads to a decrease in consumer cruise spending, such as worsening global economic conditions or significant incidents impacting the cruise industry, could negatively affect our operating cash flows. See "-Adverse worldwide economic or other conditions…" and "-Incidents or adverse publicity concerning our ships and/or passengers or the cruise vacation industry…" for more information.

Although we believe we can access sufficient liquidity to fund our operations, investments and obligations as expected, there can be no assurances to that effect. Our ability to access additional funding as and when needed, our ability to timely refinance and/or replace our outstanding debt securities and credit facilities on acceptable terms and our cost of funding will depend upon numerous factors including, but not limited to, the vibrancy of the financial markets, our financial performance, the performance of our industry in general and the size, scope and timing of our financial needs. In addition, even where financing commitments have been secured, significant disruptions in the capital and credit markets could cause our banking and other counterparties to breach their contractual obligations to us. This could include failures of banks or other financial service companies to fund required borrowings under our loan agreements or to pay us amounts that may become due or return collateral that is refundable under our derivative contracts for hedging of fuel prices, interest rates and foreign currencies or other agreements. If any of the foregoing occurs it may have a negative impact on our cash flows, including our ability to meet our obligations, our results of operations and our financial condition.

Our liquidity could be adversely impacted if we are unable to satisfy the covenants required by our credit facilities.

Our debt agreements contain covenants, including covenants restricting our and their ability to take certain actions and financial covenants. Our ability to maintain our credit facilities may also be impacted by changes in our ownership base. More specifically, we may be required to prepay our bank financing facilities if any person acquires ownership of more than 50% of our common stock or, subject to certain exceptions, during any 24-month period, a majority of our board of directors is no longer comprised of individuals who were members of our board of directors on the first day of such period. Our public debt securities also contain change of control provisions that would be triggered by a third-party acquisition of greater than 50% of our common stock coupled with a ratings downgrade.

Failure to comply with the terms of these debt facilities could result in an event of default. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default acceleration clauses, our outstanding debt and derivative contract payables could become due and/or terminated. In addition, in such events, our credit card processors could hold back payments to create a reserve. We cannot provide assurances that we would have sufficient liquidity to repay, or the ability to refinance the debt if such amounts were accelerated upon an event of default.

If we are unable to appropriately balance our cost management and capital allocation strategies with our goal of satisfying guest expectations, it may adversely impact our business success.

Our goals call for us to provide high quality products and deliver high quality services. There can be no assurance that we can successfully balance these goals with our cost management and capital allocation strategies. Our business also requires us to make capital allocation decisions, such as ordering new ships, upgrading our existing fleet, enhancing our technology and data capabilities, and expanding our portfolio of land-based assets, based on expected market preferences, competition and projected demand. There can be no assurance that our strategies will be successful, which could adversely impact our business, financial condition and results of operations. Investments in older tonnage, in particular, run the risk of not meeting expected returns and diluting related asset values.

Our attempts to expand our business into new markets and new ventures may not be successful.

We opportunistically seek to grow our business through, among other things, expansion into new destination or source markets and establishment of new ventures complementary to our current offerings. These attempts to expand

our business increase the complexity of our business, require significant levels of investment and can strain our management, personnel, operations and systems. There can be no assurance that these business expansion efforts will develop as anticipated or that we will succeed, and if we do not, we may be unable to recover our investment, which could adversely impact our business, financial condition and results of operations.

Our reliance on travel agencies to sell and market our cruises exposes us to certain risks which, if realized, could adversely impact our business.

We rely on travel agencies to generate the majority of bookings for our ships. Accordingly, we must ensure that our commission rates and incentive structures remain competitive. If we fail to offer competitive compensation packages, these agencies may be incentivized to sell cruises offered by our competitors to our detriment, which could adversely impact our operating results. Our reliance on third-party sellers is particularly pronounced in certain markets, such as China, where we have a large number of travel agent charter and group sales and less retail agency and direct bookings. In addition, the travel agent industry is sensitive to economic conditions that impact discretionary income of consumers. Significant disruptions, especially disruptions impacting those agencies that sell a high volume of our business, or contractions in the industry could reduce the number of travel agencies available for us to market and sell our cruises, which could have an adverse impact on our financial condition and results of operations.

Disruptions in our shoreside or shipboard operations or our information systems may adversely affect our results of operations.

Our principal executive office and principal shoreside operations are located in Florida, and we have shoreside offices throughout the world. Actual or threatened natural disasters (e.g., hurricanes/typhoons, earthquakes, tornadoes, fires or floods) or similar events in these locations may have a material impact on our business continuity, reputation and results of operations. In addition, substantial or repeated information system failures, computer viruses or cyber-attacks impacting our shoreside or shipboard operations could adversely impact our business. We do not generally carry business interruption insurance for our shoreside or shipboard operations or our information systems. As such, any losses or damages incurred by us could have an adverse impact on our results of operations.

The loss of key personnel, our inability to recruit or retain qualified personnel, or disruptions among our shipboard personnel due to strained employee relations could adversely affect our results of operations.

Our success depends, in large part, on the skills and contributions of key executives and other employees, and on our ability to recruit, develop and retain high quality personnel and develop adequate succession plans. As demand for qualified personnel in the industry grows, we must continue to effectively recruit, train, motivate and retain our employees, both shoreside and on our ships, in order to effectively compete in our industry, maintain our current business and support our projected global growth.

As of December 31, 2018, 89% of our shipboard employees were covered by collective bargaining agreements. A dispute under our collective bargaining agreements could result in a work stoppage of those employees covered by the agreements. We may not be able to satisfactorily renegotiate these collective bargaining agreements when they expire. In addition, existing collective bargaining agreements may not prevent a strike or work stoppage on our ships. We may also be subject to or affected by work stoppages unrelated to our business or collective bargaining agreements. Any such work stoppages or potential work stoppages could have a material adverse effect on our financial results, as could a loss of key employees, our inability to recruit or retain qualified personnel or disruptions among our personnel.

Business activities that involve our co-investments with third parties may subject us to additional risks.

Partnerships, joint ventures and other business structures involving our co-investments with third parties generally include some form of shared control over the operations of the business and create additional risks, including the possibility that other investors in such ventures could become bankrupt or otherwise lack the financial resources to meet their obligations, or could have or develop business interests, policies or objectives that are inconsistent with ours. In addition to financial risks, our co-investment activities may also present managerial and operational risks and expose us to reputational or legal concerns. These or other issues related to our co-investments with third parties could adversely impact our operations.

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Past or pending business acquisitions or potential acquisitions that we may decide to pursue in the future carry inherent risks which could adversely impact our financial performance and condition.

The Company, from time to time, has engaged in acquisitions (e.g., our recent Silversea Cruises acquisition) and may pursue acquisitions in the future, which are subject to, among other factors, the Company's ability to identify attractive business opportunities and to negotiate favorable terms for such opportunities. Accordingly, the Company cannot make any assurances that potential acquisitions will be completed timely or at all, or that if completed, we would realize the anticipated benefits of such acquisition. Acquisitions also carry inherent risks such as, among others: (1) the potential delay or failure of our efforts to successfully integrate business processes and realizing expected synergies; (2) difficulty in aligning procedures, controls and/or policies; and (3) future unknown liabilities and costs that may be associated with an acquisition. In addition, acquisitions may also adversely impact our liquidity and/or debt levels, and the recognized value of goodwill and other intangible assets can be negatively affected by unforeseen events and/or circumstances, which may result in an impairment charge. Any of the foregoing events could adversely impact our financial condition and results of operations.

We rely on supply chain vendors and third-party service providers who are integral to the operations of our businesses. These vendors and service providers may be unable or unwilling to deliver on their commitments or may act in ways that could harm our business.

We rely on supply chain vendors to deliver key products to the operations of our businesses around the world. Any event impacting a vendor's ability to deliver goods of the required quality at the location and time needed could negatively impact our ability to deliver our cruise experience. Events impacting our supply chain could be caused by factors beyond the control of our suppliers or us, including inclement weather, natural disasters, increased demand, problems in production or distribution and/or disruptions in third-party logistics or transportation systems. Interruptions to our supply chain could increase costs and could limit the availability of products critical to our operations.

In order to achieve cost and operational efficiencies, we outsource to third-party vendors certain services that are integral to the operations of our global businesses, such as our onboard concessionaires, certain of our call center operations and operation of a large part of our information technology systems. We are subject to the risk that certain decisions are subject to the control of our third-party service providers and that these decisions may adversely affect our activities. A failure to adequately monitor a third-party service provider's compliance with a service level agreement or regulatory or legal requirements could result in significant economic and reputational harm to us. There is also a risk the confidentiality, privacy and/or security of data held by third parties or communicated over third-party networks or platforms could become compromised.

If we are unable to keep pace with developments in technology or technological obsolescence, our operations or competitive position could become impaired.

Our business continues to demand the use of sophisticated technology and systems. These technologies and systems require significant investment and must be proven, refined, updated, and/or replaced with more advanced systems in order to continue to meet our customers' demands and expectations. If we are unable to do so in a timely manner or within reasonable cost parameters or if we are unable to appropriately and timely train our employees to operate any of these new systems, our business could suffer. We also may not achieve the benefits that we anticipate from any new technology or system, which could result in higher than anticipated costs or impair our operating results.

We are exposed to cyber-attacks and data breaches, including the risks and costs associated with protecting our systems and maintaining integrity and security of our business information, as well as personal data of our guests, employees and business partners.

We are subject to cyber-attacks. These cyber-attacks can vary in scope and intent from attacks with the objective of compromising our systems, networks and communications for economic gain to attacks with the objective of disrupting, disabling or otherwise compromising our maritime and/or shoreside operations. The attacks can encompass a wide range of methods and intent, including phishing attacks, illegitimate requests for payment, theft of intellectual property, theft of confidential or non-public information, installation of malware, installation of ransomware and theft of personal or business information. The breadth and scope of these attacks, as well as the techniques and sophistication used to conduct these attacks, have grown over time.

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A successful cyber-attack may target us directly, or it may be the result of a third party's inadequate care. In either scenario, the Company may suffer damage to its systems and data that could interrupt our operations, adversely impact our reputation and brand and expose us to increased risks of governmental investigation, litigation and other liability, any of which could adversely affect our business. Furthermore, responding to such an attack and mitigating the risk of future attacks could result in additional operating and capital costs in systems technology, personnel, monitoring and other investments.

In addition, we are also subject to various risks associated with the collection, handling, storage and transmission of sensitive information. In the course of doing business, we collect large volumes of employee, customer and other third-party data, including personally identifiable information and individual credit data, for various business purposes. We are subject to federal, state and international laws (including the European Union General Data Protection Regulation which took effect in May 2018), as well as industry standards, relating to the collection, use, retention, security and transfer of personally identifiable information and individual credit data. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between the Company and its subsidiaries, and among the Company, its subsidiaries and other parties with which the Company has commercial relations. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing international requirements has caused, and may cause us to incur substantial costs or require us to change our business practices. If we fail to comply with the various applicable data collection and privacy laws, we could be exposed to fines, penalties, restrictions, litigation or other expenses, and our business could be adversely impacted.

While we continue to evolve our cyber-security practices in line with our business' reliance on technology and the changing external threat landscape, and we invest time, effort and financial resources to secure our systems, networks and communications, our security measures cannot provide absolute assurance that we will be successful in preventing or responding to all cyber-attacks. For example, in September 2018, we discovered instances of unauthorized access to a number of employee e-mail communications, some of which contained proprietary business and personally identifiable information. We have implemented additional safeguards, and we do not believe that we experienced any material losses related to this incident; however, there can be no assurance that this or any other breach or incident will not have a material impact on our operations and financial results in the future.

Any breach, theft, loss, or fraudulent use of guest, employee, third-party or company data, could adversely impact our reputation and brand and our ability to retain or attract new customers, and expose us to risks of data loss, business disruption, governmental investigation, litigation and other liability, any of which could adversely affect our business. Significant capital investments and other expenditures could be required to remedy the problem and prevent future breaches, including costs associated with additional security technologies, personnel, experts and credit monitoring services for those whose data has been breached. Further, if we or our vendors experience significant data security breaches or fail to detect and appropriately respond to significant data security breaches, we could be exposed to government enforcement actions and private litigation.

The potential unavailability of insurance coverage, an inability to obtain insurance coverage at commercially reasonable rates or our failure to have coverage in sufficient amounts to cover our incurred losses may adversely affect our financial condition or results of operations.

We seek to maintain appropriate insurance coverage at commercially reasonable rates. We normally insure based on the cost of an asset rather than replacement value and we also elect to self-insure, co-insure, or use deductibles in certain circumstances for certain risks such as loss of use of a ship or a cyber-security breach. The limits of insurance coverage we purchase are based on the availability of the coverage, evaluation of our risk profile and cost of coverage. Accordingly, we are not protected against all risks and we cannot be certain that our coverage will be adequate for liabilities actually incurred which could result in an unexpected decrease in our revenue and results of operations in the event of an incident.

We are members of four Protection and Indemnity ("P&I") clubs, which are part of a worldwide group of 13 P&I clubs, known as the International Group of P&I Clubs (the “IG”). P&I coverage provided by the clubs is on a mutual basis and we are subject to additional premium calls in the event of a catastrophic loss incurred by any member of the

13 P&I clubs, whereby the reinsurance limits purchased by the IG are exhausted. We are also subject to additional premium calls based on investment and underwriting shortfalls experienced by our own individual insurers.

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We cannot be certain that insurance and reinsurance coverage will be available to us and at commercially reasonable rates in the future or at all or, if available, that it will be sufficient to cover potential claims. Additionally, if we or other insureds sustain significant losses, the result may be higher insurance premiums, cancellation of coverage, or the inability to obtain coverage. Such events could adversely affect our financial condition or results of operations.

Environmental, labor, health and safety, financial responsibility and other maritime regulations could affect operations and increase operating costs.

The United States and various state and foreign government or regulatory agencies have enacted or may enact environmental regulations or policies, such as requiring the use of low sulfur fuels, that could increase our direct cost to operate in certain markets, increase our cost for fuel, limit the supply of compliant fuel, cause us to incur significant expenses to purchase and/or develop new equipment and adversely impact the cruise vacation industry. While we have taken and expect to continue to take a number of actions to mitigate the potential impact of certain of these regulations, there can be no assurances that these efforts will be successful or completed on a timely basis.

There is increasing global regulatory focus on climate change, greenhouse gas (GHG) and other emissions. These regulatory efforts, both internationally and in the United States are still developing, and we cannot yet determine what the final regulatory programs or their impact will be in any jurisdiction where we do business. However, such climate change-related regulatory activity in the future may adversely affect our business and financial results by requiring us to reduce our emissions, purchase allowances or otherwise pay for our emissions. Such activity may also impact us by increasing our operating costs, including fuel costs.

Some environmental groups have also lobbied for more stringent regulation of cruise ships and have generated negative publicity about the cruise vacation industry and its environmental impact. See Item 1. Business-Regulation-Environmental Regulations.

In addition, we are subject to various international, national, state and local laws, regulations and treaties that govern, among other things, discharge from our ships, safety standards applicable to our ships, treatment of disabled persons, health and sanitary standards applicable to our guests, security standards on board our ships and at the ship/port interface areas, and financial responsibilities to our guests. These issues are, and we believe will continue to be, an area of focus by the relevant authorities throughout the world. This could result in the enactment of more stringent regulation of cruise ships that could subject us to increasing compliance costs in the future.

A change in our tax status under the United States Internal Revenue Code, or other jurisdictions, may have adverse effects on our income.

We and a number of our subsidiaries are foreign corporations that derive income from a U.S. trade or business and/or from sources within the United States. Drinker Biddle & Reath LLP, our U.S. tax counsel, has delivered to us an opinion, based on certain representations and assumptions set forth in it, to the effect that this income, to the extent derived from or incidental to the international operation of a ship or ships, is excluded from gross income for U.S. federal income tax purposes pursuant to Section 883 of the Internal Revenue Code. We believe that most of our income (including that of our subsidiaries) is derived from or incidental to the international operation of ships.

Our ability to rely on Section 883 could be challenged or could change in the future. Provisions of the Internal Revenue Code, including Section 883, are subject to legislative change at any time. Moreover, changes could occur in the future with respect to the identity, residence or holdings of our direct or indirect shareholders, trading volume or trading frequency of our shares, or relevant foreign tax laws of Liberia such that it no longer qualifies as an equivalent exemption jurisdiction, that could affect our eligibility for the Section 883 exemption. Accordingly, there can be no assurance that we will continue to be exempt from U.S. income tax on U.S. source shipping income in the future. If we were not entitled to the benefit of Section 883, we and our subsidiaries would be subject to U.S. taxation on a portion of the income derived from or incidental to the international operation of our ships, which would reduce our net income.

Additionally, portions of our business are operated by companies that are within the United Kingdom tonnage tax regime. Further, some of our operations are conducted in jurisdictions where we rely on tax treaties to provide exemption from taxation. To the extent the United Kingdom tonnage tax laws change or we do not continue to meet

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the applicable qualification requirements or if tax treaties are changed or revoked, we may be required to pay higher income tax in these jurisdictions, adversely impacting our results of operations.

As budgetary constraints continue to adversely impact the jurisdictions in which we operate, increases in income tax regulations, tax audits or tax reform affecting our operations may be imposed.

Litigation, enforcement actions, fines or penalties could adversely impact our financial condition or results of operations and/or damage our reputation.

Our business is subject to various United States and international laws and regulations that could lead to enforcement actions, fines, civil or criminal penalties or the assertion of litigation claims and damages. In addition, improper conduct by our employees, agents or joint venture partners could damage our reputation and/or lead to litigation or legal proceedings that could result in civil or criminal penalties, including substantial monetary fines. In certain circumstances it may not be economical to defend against such matters and/or a legal strategy may not ultimately result in us prevailing in a matter. Such events could lead to an adverse impact on our financial condition or results of operations.

We are not a United States corporation and our shareholders may be subject to the uncertainties of a foreign legal system in protecting their interests.

Our corporate affairs are governed by our Articles of Incorporation and By-Laws and by the Business Corporation Act of Liberia. The provisions of the Business Corporation Act of Liberia resemble provisions of the corporation laws of a number of states in the United States. However, while most states have a fairly well developed body of case law interpreting their respective corporate statutes, there are very few judicial cases in Liberia interpreting the Business Corporation Act of Liberia. As such, the rights and fiduciary responsibilities of directors under Liberian law are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in certain United States jurisdictions. For example, the right of shareholders to bring a derivative action in Liberian courts may be more limited than in United States jurisdictions. There may also be practical difficulties for shareholders attempting to bring suit in Liberia and Liberian courts may or may not recognize and enforce foreign judgments. Thus, our public shareholders may have more difficulty in protecting their interests with respect to actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction.

Provisions of our Articles of Incorporation, By-Laws and Liberian law could inhibit others from acquiring us, prevent a change of control, and may prevent efforts by our shareholders to change our management.

Certain provisions of our Articles of Incorporation and By-Laws and Liberian law may inhibit third parties from effectuating a change of control of the Company without approval from our board of directors which could result in the entrenchment of current management. These include provisions in our Articles of Incorporation that prevent third parties, other than A. Wilhelmsen AS. and Cruise Associates, from acquiring beneficial ownership of more than 4.9% of our outstanding shares without the consent of our board of directors.

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Item 1B. Unresolved Staff Comments
None.
Item 2. Properties
Information about our cruise ships, including their size and primary areas of operation, may be found within the Operating Strategies - Fleet upgrade, maintenance and expansion section and the Operations - Cruise Ships and Itineraries sections in Item 1. Business. Information regarding our cruise ships under construction, estimated expenditures and financing may be found within the Future Capital Commitments and Funding Needs and Sources sections of Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.
Our principal executive office and principal shoreside operations are located in leased office buildings at the Port of Miami, Florida. We also lease a number of other offices in the U.S. and throughout Europe, Asia, Mexico, South America and Australia to administer our brand operations globally.
We believe that our facilities are adequate for our current needs and that we are capable of obtaining additional facilities as necessary.
We also operate two private destinations which we utilize as ports-of-call on certain itineraries: (i) an island we own in the Bahamas which we call CocoCay; and (ii) Labadee, a secluded peninsula we lease on the north coast of Haiti.
Item 3. Legal Proceedings
On September 24, 2018, a proposed class-action lawsuit was filed by Roger and Maureen Carretta against Royal Caribbean Cruises Ltd. d/b/a Royal Caribbean International in the United States District Court for the Southern District of Florida relating to the marketing and sales of our Travel Protection Program. The plaintiffs purported to represent an alleged class of passengers who purchased the Travel Protection Program. The complaint alleged that the Company concealed that it received "kickbacks," in the form of undisclosed commissions on the sale of the travel insurance portion of the product from an underwriter, and allegedly improperly bundled Travel Insurance Policies with non-insurance products. The complaint sought damages in an indeterminate amount. On November 26, 2018, the Court dismissed the entire action with prejudice on the grounds that, among others, the claim was filed beyond the time limitations contained in the passenger ticket contract. Plaintiffs did not appeal the decision and the time period for filing an appeal has lapsed.
We are routinely involved in other claims typical within the cruise vacation industry. The majority of these claims are covered by insurance. We believe the outcome of such claims, net of expected insurance recoveries, will not have a material adverse impact on our financial condition or results of operations and cash flows.
Item 4. Mine Safety Disclosures
None.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "RCL."

Holders

As of February 14, 2019, there were 1,398 record holders of our common stock. Since certain of our shares are held by brokers and other institutions on behalf of shareholders, the foregoing number is not representative of the number of beneficial owners.

Dividends

Holders of our common stock have an equal right to share in our profits in the form of dividends when and if declared by our board of directors out of funds legally available. Holders of our common stock have no rights to any sinking fund.

There are no exchange control restrictions on remittances of dividends on our common stock since (1) we are and intend to maintain our status as a nonresident Liberian entity under the Liberia Revenue Code of 2000 as Amended and the regulations thereunder, and (2) our ship-owning subsidiaries are not now engaged, and are not in the future expected to engage, in any business in Liberia, including voyages exclusively within the territorial waters of the Republic of Liberia. Under current Liberian law, no Liberian taxes or withholding will be imposed on payments to holders of our securities other than to a holder that is a resident Liberian entity or a resident individual or an individual or entity subject to taxation in Liberia as a result of having a permanent establishment within the meaning of the Liberia Revenue Code of 2000 as Amended in Liberia.

The declaration of dividends shall at all times be subject to the final determination of our board of directors that a dividend is prudent at that time in consideration of the needs of the business. Refer to Note 11. Shareholders' Equity to our consolidated financial statements under Item 8. Financial Statements and Supplemental Data for further information on dividends declared.

Share Repurchases

During the quarter ended December 31, 2018, there were no common stock repurchases.

As of December 31, 2018, we have approximately $700.0 million that remains available for future common stock repurchase transactions under a 24-month common stock repurchase program for up to $1.0 billion authorized by our board of directors on May 9, 2018. Refer to Note 11. Shareholders' Equity to our consolidated financial statements under Item 8. Financial Statements and Supplemental Data for further information.

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Performance Graph

The following graph compares the total return, assuming reinvestment of dividends, on an investment in the Company, based on performance of the Company's common stock, with the total return of the Standard & Poor's 500 Composite Stock Index ("S&P 500") and the Dow Jones United States Travel and Leisure Index for a five year period by measuring the changes in common stock prices from December 31, 2013 to December 31, 2018.

	12/13	12/14	12/15	12/16	12/17	12/18
Royal Caribbean Cruises Ltd.	100.00	176.94	220.72	182.99	271.25	227.46
S&P 500	100.00	113.69	115.26	129.05	157.22	150.33
Dow Jones U.S. Travel & Leisure	100.00	116.37	123.23	132.56	164.13	154.95

The stock performance graph assumes for comparison that the value of the Company's common stock and of each index was $100 on December 31, 2013 and that all dividends were reinvested. Past performance is not necessarily an indicator of future results.

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Item 6. Selected Financial Data

The selected consolidated financial data presented below for the years ended December 31, 2014 through December 31, 2018 and as of the end of each such year, except for Adjusted Net Income amounts, are derived from our audited consolidated financial statements and should be read in conjunction with those financial statements and the related notes as well as in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,				
	2018 (1)	2017	2016	2015	2014
	(in thousands, except per share data)				
Operating Data:					
Total revenues	$9,493,849	$8,777,845	$8,496,401	$8,299,074	$8,073,855
Operating Income	$1,894,801	$1,744,056	$1,477,205	$874,902	$941,859
Net Income	$1,815,792	$1,625,133	$1,283,388	$665,783	$764,146
Net Income attributable to Royal Caribbean Cruises Ltd.	$1,811,042	$1,625,133	$1,283,388	$665,783	$764,146
Adjusted Net Income attributable to Royal Caribbean Ltd.(2) (3) (4) (5)	$1,873,363	$1,625,133	$1,314,689	$1,065,066	$755,729
Per Share Data—Basic:					
Net Income attributable to Royal Caribbean Cruises Ltd.	$8.60	$7.57	$5.96	$3.03	$3.45
Adjusted Net Income attributable to Royal Caribbean Cruises Ltd.	$8.90	$7.57	$6.10	$4.85	$3.41
Weighted-average shares	210,570	214,617	215,393	219,537	221,658
Per Share Data—Diluted:					
Net Income attributable to Royal Caribbean Cruises Ltd.	$8.56	$7.53	$5.93	$3.02	$3.43
Adjusted Net Income attributable to Royal Caribbean Cruises Ltd.	$8.86	$7.53	$6.08	$4.83	$3.39
Weighted-average shares and potentially dilutive shares	211,554	215,694	216,316	220,689	223,044
Dividends declared per common share	$2.60	$2.16	$1.71	$1.35	$1.10
Balance Sheet Data:					
Total assets (6)	$27,698,270	$22,360,926	$22,310,324	$20,782,043	$20,524,060
Total debt, including commercial paper and capital leases	$10,777,699	$7,539,451	$9,387,436	$8,527,243	$8,254,818
Common stock	$2,358	$2,352	$2,346	$2,339	$2,331
Total shareholders' equity	$11,105,461	$10,702,303	$9,121,412	$8,063,039	$8,284,359

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(1) On July 31, 2018, we acquired a 66.7% equity stake in Silversea Cruise Holding Ltd ("Silversea Cruises"). Refer to Note 3. Business Combination to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for information on the Silversea Cruises acquisition.

(2) For 2018, 2017 and 2016, refer to Financial Presentation and Results of Operations under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for the definition of Adjusted Net Income and a reconciliation of Adjusted Net Income to Net income.

(3) Amount for 2017 includes a gain of $30.9 million related to the sale of Legend of the Seas.

(4) Amount for 2015 excludes the impairment of Pullmantur related assets of $399.3 million.

(5) Amount for 2014 excludes restructuring and related impairment charges of $4.3 million, other initiative costs of $21.2 million, an $11.0 million loss related to the estimated impact of Pullmantur's non-core businesses that were sold in 2014 and a loss of $17.4 million recognized on the sale of Celebrity Century. Additionally, the amount for

2014 excludes $28.9 million of net income resulting from

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the change in our voyage proration methodology and the reversal of a deferred tax asset valuation allowance of $33.5 million due to Spanish tax reform.

(6) We reclassified prepaid commissions of $64.6 million from Customer deposits to Prepaid expenses and other assets in our consolidated balance sheet as of December 31, 2017 in order to conform to the current year presentation.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Concerning Forward-Looking Statements

The discussion under this caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this document, including, for example, under the "Risk Factors" and "Business" captions, includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding guidance (including our expectations for the first quarter and full year of 2019 and our earnings and yield estimates for 2019 set forth under the heading "Outlook" below), business and industry prospects or future results of operations or financial position, made in this Annual Report on Form 10-K are forward-looking. Words such as "anticipate," "believe," "could," "estimate," "expect," "goal," "intend," "may," "plan," "project," "seek," "should," "will," "driving" and similar expressions are intended to further identify any of these forward-looking statements. Forward-looking statements reflect management's current expectations but they are based on judgments and are inherently uncertain. Furthermore, they are subject to risks, uncertainties and other factors that could cause our actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in those forward-looking statements. Examples of these risks, uncertainties and other factors include, but are not limited to, those discussed in this Annual Report on Form 10-K and, in particular, the risks discussed under the caption "Risk Factors" in Part I, Item 1A of this report.

All forward-looking statements made in this Annual Report on Form 10-K speak only as of the date of this document. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

The discussion and analysis of our financial condition and results of operations have been organized to present the following:

- a review of our critical accounting policies and of our financial presentation, including discussion of certain operational and financial metrics we utilize to assist us in managing our business;
- a discussion of our results of operations for the year ended December 31, 2018 compared to the same period in 2017 and the year ended December 31, 2017 compared to the same period in 2016;
- a discussion of our business outlook, including our expectations for selected financial items for the first quarter and full year of 2019; and
- a discussion of our liquidity and capital resources, including our future capital and contractual commitments and potential funding sources.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). (Refer to Note 1. General and Note 2. Summary of Significant Accounting Policies to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data). Certain of our accounting policies are deemed "critical," as they require management's highest degree of judgment, estimates and assumptions. We have discussed these accounting policies and estimates with the audit committee of our board of directors. We believe our most critical accounting policies are as follows:

Ship Accounting

Our ships represent our most significant assets and are stated at cost less accumulated depreciation and amortization. Depreciation of ships is generally computed net of a 15% projected residual value using the straight-line method over the estimated useful life of the asset, which is generally 30 years. The 30-year useful life of our newly constructed ships and 15% associated residual value are both based on the weighted-average of all major components of a ship. Our useful life and residual value estimates take into consideration the impact of anticipated technological changes, long-term cruise and vacation market conditions and historical useful lives of similarly-built ships. In addition, we take into consideration our estimates of the weighted-average useful lives of the ships' major component systems, such as hull, superstructure, main electric, engines and cabins. Given the very large and complex nature of our ships, our accounting estimates related to ships and determinations of ship improvement costs to be capitalized require considerable judgment and are inherently uncertain. We do not have cost segregation studies performed to specifically componentize our ship systems. Therefore, we estimate the costs of component systems based principally on general and technical information known about major ship component systems and their lives and our knowledge of the cruise vacation industry. We do not identify and track depreciation by ship component systems, but instead utilize these estimates to determine the net cost basis of assets replaced or refurbished. Improvement costs that we believe add value to our ships are capitalized as additions to the ship and depreciated over the shorter of the improvements' estimated useful lives or that of the associated ship. The estimated cost and accumulated depreciation of replaced or refurbished ship components are written off and any resulting losses are recognized in Cruise operating expenses.

We use the deferral method to account for drydocking costs. Under the deferral method, drydocking costs incurred are deferred and charged to expense on a straight-line basis over the period to the next scheduled drydock, which we estimate to be a period of thirty to sixty months based on the vessel's age as required by Class. Deferred drydock costs consist of the costs to drydock the vessel and other costs incurred in connection with the drydock which are necessary to maintain the vessel's Class certification. Class certification is necessary in order for our cruise ships to be flagged in a specific country, obtain liability insurance and legally operate as passenger cruise ships. The activities associated with those drydocking costs cannot be performed while the vessel is in service and, as such, are done during a drydock as a planned major maintenance activity. The significant deferred drydock costs consist of hauling and wharfage services provided by the drydock facility, hull inspection and related activities (e.g., scraping, pressure cleaning, bottom painting), maintenance to steering propulsion, thruster equipment and ballast tanks, port services such as tugs, pilotage and line handling, and freight associated with these items. We perform a detailed analysis of the various activities performed for each drydock and only defer those costs that are directly related to planned major maintenance activities necessary to maintain Class. The costs deferred are related to activities not otherwise routinely periodically performed to maintain a vessel's designed and intended operating capability. Repairs and maintenance activities are charged to expense as incurred.

We use judgment when estimating the period between drydocks, which can result in adjustments to the estimated amortization of drydock costs. If the vessel is disposed of before the next drydock, the remaining balance in deferred drydock is written-off to the gain or loss upon disposal of vessel in the period in which the sale takes place. We also use judgment when identifying costs incurred during a drydock which are necessary to maintain the vessel's Class certification as compared to those costs attributable to repairs and maintenance which are expensed as incurred.

We believe we have made reasonable estimates for ship accounting purposes. However, should certain factors or circumstances cause us to revise our estimates of ship useful lives or projected residual values, depreciation expense could be materially higher or lower. If circumstances cause us to change our assumptions in making determinations as to whether ship improvements should be capitalized, the amounts we expense each year as repairs and maintenance costs could increase, partially offset by a decrease in depreciation expense. If we had reduced our estimated average ship useful life by one year, depreciation expense for 2018 would have increased by approximately $63.8 million. If our ships were estimated to have no residual value, depreciation expense for 2018 would have increased by approximately $243.0 million.

Business Combinations

On July 31, 2018, we acquired a 66.7% equity stake in Silversea Cruises for $1.02 billion in cash and contingent consideration. Refer to Note 3. Business Combination to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information on the acquisition

We account for business combinations in accordance with ASC 805, Business Combinations, by applying the acquisition method of accounting. The acquisition method of accounting requires that we record the assets acquired and liabilities assumed, and the noncontrolling interest, if any, at their respective fair values at the acquisition date. Goodwill is recognized as the excess of the purchase price over the fair value of the net assets acquired. Significant estimates and assumptions are made by management to value such assets and liabilities based on third party valuations such as appraisals or internal valuations based on discounted cash flow analyses or other valuation techniques. Although we believe that those estimates and assumptions are reasonable and appropriate, they are inherently uncertain and subject to change. If during the measurement period (not to exceed one year), additional information is obtained about facts and circumstances that existed as of the acquisition date related to the fair value of the assets acquired and liabilities assumed, we may adjust our estimates to account for subsequent adjustments to the provisional amounts recognized at the acquisition date, resulting in an offsetting adjustment to the goodwill associated with the business acquired.

Uncertain tax positions and tax-related valuation allowances are initially established in connection with a business combination as of the acquisition date. We continue to collect information and reevaluate these estimates and assumptions quarterly. We will record any adjustments to our preliminary estimates to goodwill, provided that we are within the one-year measurement period.

Any contingent consideration is estimated at fair value at the acquisition date. Liability-classified contingent consideration is remeasured each reporting period, with changes in fair value recognized in earnings until the contingent consideration is settled.

Valuation of Goodwill, Indefinite-Lived Intangible Assets and Long-Lived Assets

We review goodwill and indefinite-lived intangible assets for impairment at the reporting unit level annually or, when events or circumstances dictate, more frequently. The impairment review for goodwill consists of a qualitative assessment of whether it is more-likely-than-not that a reporting unit's fair value is less than its carrying amount, and if necessary, a two-step goodwill impairment test. Factors to consider when performing the qualitative assessment include general economic conditions, limitations on accessing capital, changes in forecasted operating results, changes in fuel prices and fluctuations in foreign exchange rates. If the qualitative assessment demonstrates that it is more-likely-than-not that the estimated fair value of the reporting unit exceeds its carrying value, it is not necessary to perform the two-step goodwill impairment test. We may elect to bypass the qualitative assessment and proceed directly to step one, for any reporting unit, in any period. On a periodic basis, we elect to bypass the qualitative assessment and proceed to step one to corroborate the results of recent years' qualitative assessments. We can resume the qualitative assessment for any reporting unit in any subsequent period.

When performing the two-step goodwill impairment test, the fair value of the reporting unit is determined and compared to the carrying value of the net assets allocated to the reporting unit. We estimate the fair value of our reporting units using a probability-weighted discounted cash flow model. The estimation of fair value utilizing discounted expected future cash flows includes numerous uncertainties which require our significant judgment when making assumptions of expected revenues, operating costs, marketing, selling and administrative expenses, interest rates, ship additions and retirements as well as assumptions regarding the cruise vacation industry's competitive environment and general economic and business conditions, among other factors. The principal assumptions we use in the discounted cash flow model are projected operating results, weighted-average cost of capital, and terminal value. The discounted cash flow model uses the most current projected operating results for the upcoming fiscal year as a base. To that base, we add future years' cash flows assuming multiple revenue and expense scenarios that reflect the impact of different global economic environments beyond the base year on the reporting unit. We discount the projected cash flows using rates specific to the reporting unit based on its weighted-average cost of capital. If the fair value of the reporting unit exceeds its carrying value, no further analysis or write-down of goodwill is required. If the fair value of the reporting unit is less than the carrying value of its net assets, the implied fair value of the reporting unit is allocated to all its underlying assets and liabilities, including both recognized and unrecognized tangible and intangible assets, based on their fair value. If necessary, goodwill is then written down to its implied fair value.

The impairment review for indefinite-life intangible assets consists of a comparison of the fair value of the asset with its carrying amount. We estimate the fair value of these assets using a discounted cash flow model and various valuation methods depending on the nature of the intangible asset, such as the relief-from-royalty method for trademarks and trade names. If the carrying amount exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. If the fair value exceeds its carrying amount, the indefinite-life intangible asset is not considered impaired. As of December 31, 2018, the carrying amount of indefinite-life intangible assets was $351.7

million, which primarily relates to the Silversea Cruises trade name acquired in the Silversea Cruises acquisition. Other intangible assets assigned finite useful lives are amortized on a straight-line basis over their estimated useful lives. Refer to Note 6, Intangible

Assets to our consolidated financial statements under Item 8. Financial Statements and Supplemental Data for further information on indefinite-life intangible assets.

We review our ships and other long-lived assets for impairment whenever events or changes in circumstances indicate, based on estimated undiscounted future cash flows, that the carrying amount of these assets may not be fully recoverable. We evaluate asset impairment at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The lowest level for which we maintain identifiable cash flows that are independent of the cash flows of other assets and liabilities is at the ship level for our ships and, prior to the sale of the aircraft, at the aggregated asset group level for our aircraft. If estimated future cash flows are less than the carrying value of an asset, an impairment charge is recognized to the extent its carrying value exceeds fair value. We estimate fair value based on quoted market prices in active markets, if available. If active markets are not available, we base fair value on independent appraisals, sales price negotiations and projected future cash flows discounted at a rate estimated by management to be commensurate with the business risk. Quoted market prices are often not available for individual reporting units and for indefinite-life intangible assets. Accordingly, we estimate the fair value of a reporting unit and an indefinite-life intangible asset using an expected present value technique.

Royal Caribbean International

During the fourth quarter of 2018, we performed a qualitative assessment of the Royal Caribbean International reporting unit. Based on our qualitative assessment, we concluded that it was more-likely-than-not that the estimated fair value of the Royal Caribbean International reporting unit exceeded its carrying value and thus, we did not proceed to the two-step goodwill impairment test. No indicators of impairment exist primarily because the reporting unit's fair value has consistently exceeded its carrying value by a significant margin and forecasts of operating results expected to be generated by the reporting unit appear sufficient to support its carrying value. As of December 31, 2018, the carrying amount of goodwill attributable to our Royal Caribbean reporting unit was $286.7 million.

Silversea Cruises

The goodwill for the Silversea Cruises reporting unit was recorded at fair value at July 31, 2018, the acquisition date. Refer to Note 3. Business Combination to our consolidated financial statements under Item 8. Financial Statements and Supplemental Data for further information on the Silversea Cruises acquisition. During the fourth quarter of 2018, we performed a qualitative assessment of the Silversea Cruises reporting unit. Based on our qualitative assessment, we concluded that it was more-likely-than-not that the estimated fair value of the Silversea Cruises reporting unit exceeded its carrying value and thus, we did not proceed to the two-step goodwill impairment test. No indicators of impairment exist primarily because forecasts of operating results expected to be generated by the reporting unit appear sufficient to support its carrying value. As of December 31, 2018, the carrying amount of goodwill attributable to our Silversea Cruises reporting unit was $1.1 billion.

Derivative Instruments

We enter into various forward, swap and option contracts to manage our interest rate exposure and to limit our exposure to fluctuations in foreign currency exchange rates and fuel prices. These instruments are recorded on the balance sheet at their fair value and the vast majority are designated as hedges. We also use non-derivative financial instruments designated as hedges of our net investment in our foreign operations and investments. Although certain of our derivative financial instruments do not qualify or are not accounted for under hedge accounting, we do not hold or issue derivative financial instruments for trading or other speculative purposes. We account for derivative financial instruments in accordance with authoritative guidance. Refer to Note 2. Summary of Significant Accounting Policies and Note 17. Fair Value Measurements and Derivative Instruments to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for more information on related authoritative guidance, the Company's hedging programs and derivative financial instruments.

On a regular basis, we enter into foreign currency forward contracts, interest rate and fuel swaps and options with third-party institutions in over-the-counter markets. We estimate the fair value of our foreign currency forward contracts and interest rate swaps using expected future cash flows based on the instruments' contract terms and published forward prices for foreign currency exchange and interest rates. We apply present value techniques and LIBOR or EURIBOR-based discount rates to convert the expected future cash flows to the current fair value of the instruments.

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We estimate the fair value of our fuel swaps using expected future cash flows based on the swaps' contract terms and forward prices. We derive forward prices from forward fuel curves based on pricing inputs provided by third-party institutions that transact in the fuel indices we hedge. We validate these pricing inputs against actual market transactions and published price quotes for similar assets. We apply present value techniques and LIBOR-based discount rates to convert the expected future cash flows to the current fair value of the instruments. We also corroborate our fair value estimates using valuations provided by our counterparties.

We adjust the valuation of our derivative financial instruments to incorporate credit risk.

We believe it is unlikely that materially different estimates for the fair value of our foreign currency forward contracts and interest rate and fuel swaps and options would be derived from other appropriate valuation models using similar assumptions, inputs or conditions suggested by actual historical experience.

Contingencies—Litigation

On an ongoing basis, we assess the potential liabilities related to any lawsuits or claims brought against us. While it is typically very difficult to determine the timing and ultimate outcome of such actions, we use our best judgment to determine if it is probable that we will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In assessing probable losses, we take into consideration estimates of the amount of insurance recoveries, if any, which are recorded as assets when recoverability is probable. We accrue a liability when we believe a loss is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertainties related to the eventual outcome of litigation and potential insurance recoveries, it is possible that certain matters may be resolved for amounts materially different from any provisions or disclosures that we have previously made.

Seasonality

Our revenues are seasonal based on demand for cruises. Demand is strongest for cruises during the Northern Hemisphere's summer months and holidays. In order to mitigate the impact of the winter weather in the Northern Hemisphere and to capitalize on the summer season in the Southern Hemisphere, our brands have focused on deployment to the Caribbean, Asia and Australia during that period.

Financial Presentation

Description of Certain Line Items

Revenues

Our revenues are comprised of the following:

- Passenger ticket revenues, which consist of revenue recognized from the sale of passenger tickets and the sale of air transportation to and from our ships; and
- Onboard and other revenues, which consist primarily of revenues from the sale of goods and/or services onboard our ships not included in passenger ticket prices, cancellation fees, sales of vacation protection insurance and pre- and post-cruise tours. Onboard and other revenues also includes revenues we receive from independent third-party concessionaires that pay us a percentage of their revenues in exchange for the right to provide selected goods and/or services onboard our ships, as well as revenues received for our bareboat charter, procurement and management related services we perform on behalf of our unconsolidated affiliates.

Cruise Operating Expenses

Our cruise operating expenses are comprised of the following:

- Commissions, transportation and other expenses, which consist of those costs directly associated with passenger ticket revenues, including travel agent commissions, air and other transportation expenses, port costs that vary with passenger head counts and related credit card fees;

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- Onboard and other expenses, which consist of the direct costs associated with onboard and other revenues, including the costs of products sold onboard our ships, vacation protection insurance premiums, costs associated with pre- and post-cruise tours and related credit card fees as well as the minimal costs associated with concession revenues, as the costs are mostly incurred by third-party concessionaires and costs incurred for the procurement and management related services we perform on behalf of our unconsolidated affiliates;
- Payroll and related expenses, which consist of costs for shipboard personnel (costs associated with our shoreside personnel are included in Marketing, selling and administrative expenses);
- Food expenses, which include food costs for both guests and crew;
- Fuel expenses, which include fuel and related delivery, storage and emission consumable costs and the financial impact of fuel swap agreements; and
- Other operating expenses, which consist primarily of operating costs such as repairs and maintenance, port costs that do not vary with passenger head counts, vessel related insurance, entertainment and gains and/or losses related to the sale of our ships, if any.

We do not allocate payroll and related expenses, food expenses, fuel expenses or other operating expenses to the expense categories attributable to passenger ticket revenues or onboard and other revenues since they are incurred to provide the total cruise vacation experience.

Selected Operational and Financial Metrics

We utilize a variety of operational and financial metrics which are defined below to evaluate our performance and financial condition. As discussed in more detail herein, certain of these metrics are non-GAAP financial measures. These non-GAAP financial measures are provided along with the related GAAP financial measures as we believe they provide useful information to investors as a supplement to our consolidated financial statements, which are prepared and presented in accordance with GAAP. The presentation of non-GAAP financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

Adjusted Earnings per Share ("Adjusted EPS") represents Adjusted Net Income attributable to Royal Caribbean Cruises Ltd. divided by weighted average shares outstanding or by diluted weighted average shares outstanding, as applicable. We believe that this non-GAAP measure is meaningful when assessing our performance on a comparative basis.

Adjusted Net Income attributable to Royal Caribbean Cruises Ltd. ("Adjusted Net Income") represents net income less net income attributable to noncontrolling interest excluding certain items that we believe adjusting for is meaningful when assessing our performance on a comparative basis. For the periods presented, these items included (i) the impairment loss related to Skysea Holding, (ii) the impairment loss and other costs related to the exit of our tour operations business, (iii) the transaction costs related to the Silversea Cruises acquisition, (iv) the amortization of the Silversea Cruises intangible assets resulting from the acquisition, (v) the noncontrolling interest adjustment to exclude the impact of the contractual accretion requirements associated with the put option held by Silversea Cruises Group Ltd.'s noncontrolling interest, (vi) the impact of the change in accounting principle related to the recognition of stock-based compensation expense from the graded attribution method to the straight-line attribution method for time-based stock awards, (vii) the net loss related to the elimination of the Pullmantur reporting lag, (viii) the net gain related to the 51% sale of the Pullmantur and CDF Croisières de France ("CDF") brands, (ix) the restructuring charges and other initiative costs related to our Pullmantur right-sizing strategy and (x) other restructuring initiatives.

Available Passenger Cruise Days ("APCD") is our measurement of capacity and represents double occupancy per cabin multiplied by the number of cruise days for the period, which excludes canceled cruise days and drydock days. We use this measure to perform capacity and rate analysis to identify our main non-capacity drivers that cause our cruise revenue and expenses to vary.

Gross Cruise Costs represent the sum of total cruise operating expenses plus marketing, selling and administrative expenses. For the periods presented, Gross Cruise Costs exclude the impairment loss and other costs related to the exit of our tour operations business, the transaction costs related to the Silversea Cruises acquisition, the impact of the

change in accounting principle related to the recognition of stock-based compensation expense from the graded attribution method to the straight-line attribution method for time-based stock awards and restructuring charges, which were included within Marketing, selling and administrative expenses.

Gross Yields represent total revenues per APCD.

Net Cruise Costs and Net Cruise Costs Excluding Fuel represent Gross Cruise Costs excluding commissions, transportation and other expenses and onboard and other expenses and, in the case of Net Cruise Costs Excluding Fuel, fuel expenses (each of which is described above under the Description of Certain Line Items heading). In measuring our ability to control costs in a manner that positively impacts net income, we believe changes in Net Cruise Costs and Net Cruise Costs Excluding Fuel to be the most relevant indicators of our performance. A reconciliation of historical Gross Cruise Costs to Net Cruise Costs and Net Cruise Costs Excluding Fuel is provided below under Results of Operations. For the periods presented, Net Cruise Costs excludes the net gain related to the 51% sale of the Pullmantur and CDF brands, restructuring charges and other initiative costs related to our Pullmantur right-sizing strategy and other restructuring initiatives.

Net Revenues represent total revenues less commissions, transportation and other expenses and onboard and other expenses (each of which is described above under the Description of Certain Line Items heading).

Net Yields represent Net Revenues per APCD. We utilize Net Revenues and Net Yields to manage our business on a day-to-day basis as we believe that they are the most relevant measures of our pricing performance because they reflect the cruise revenues earned by us net of our most significant variable costs, which are commissions, transportation and other expenses and onboard and other expenses. A reconciliation of historical Gross Yields to Net Yields is provided below under Results of Operations. For the periods presented, Net Yields excludes initiative costs related to the sale of the Pullmantur and CDF brands.

Occupancy, in accordance with cruise vacation industry practice, is calculated by dividing Passenger Cruise Days by APCD. A percentage in excess of 100% indicates that three or more passengers occupied some cabins.

Passenger Cruise Days represent the number of passengers carried for the period multiplied by the number of days of their respective cruises.

We believe Net Yields, Net Cruise Costs and Net Cruise Costs Excluding Fuel are our most relevant non-GAAP financial measures. However, a significant portion of our revenue and expenses are denominated in currencies other than the United States dollar. Because our reporting currency is the United States dollar, the value of these revenues and expenses can be affected by changes in currency exchange rates. Although such changes in local currency prices are just one of many elements impacting our revenues and expenses, they can be an important element. For this reason, we also monitor Net Yields, Net Cruise Costs and Net Cruise Costs Excluding Fuel as if the current period's currency exchange rates had remained constant with the comparable prior period's rates, or on a "Constant Currency" basis.

It should be emphasized that Constant Currency is primarily used for comparing short-term changes and/or projections. Changes in guest sourcing and shifting the amount of purchases between currencies can change the impact of the purely currency-based fluctuations.

The use of certain significant non-GAAP measures, such as Net Yields, Net Cruise Costs and Net Cruise Costs Excluding Fuel, allows us to perform capacity and rate analysis to separate the impact of known capacity changes from other less predictable changes which affect our business. We believe these non-GAAP measures provide expanded insight to measure revenue and cost performance in addition to the standard GAAP based financial measures. There are no specific rules or regulations for determining non-GAAP and Constant Currency measures, and as such, they may not be comparable to other companies within the industry.

We have not provided a quantitative reconciliation of (i) projected Total revenues to projected Net Revenues, (ii) projected Gross Yields to projected Net Yields, (iii) projected Gross Cruise Costs to projected Net Cruise Costs and projected Net Cruise Costs Excluding Fuel and (iv) projected Net Income attributable to Royal Caribbean Cruises Ltd. and Earnings per Share to projected Adjusted Net Income and Adjusted Earnings per Share because preparation of meaningful GAAP projections of Total revenues, Gross Yields, Gross Cruise Costs, Net Income attributable to Royal Caribbean Cruises Ltd. and Earnings per Share would require unreasonable effort. Due to significant uncertainty, we

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are unable to predict, without unreasonable effort, the future movement of foreign exchange rates, fuel prices and interest rates inclusive of our related hedging programs. In addition, we are unable to determine the future impact of restructuring expenses or other non-core business related gains and losses which may result from strategic initiatives. These items are uncertain and could be material to our results of operations in accordance with GAAP. Due to this uncertainty, we do not believe that reconciling information for such projected figures would be meaningful.

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Executive Overview

Our 2018 net income was $1.8 billion, or $8.56 per diluted share, compared to $1.6 billion, or $7.53 per diluted share, in 2017. Adjusted Net Income for 2018 was $1.9 billion, or $8.86 per diluted share, compared to $1.6 billion, or $7.53 per diluted share, in 2017. Adjusted EPS for 2018 represents the fifth straight year we achieved double digit earnings growth with an 18% increase compared to 2017.

Additionally, Net Yields on a Constant-Currency basis increased for the ninth consecutive year. For the year ended December 31, 2018, our Net Yields on a Constant-Currency basis increased by 4.4%, primarily driven by increases in both ticket and onboard yields. Net onboard revenue yield in 2018 grew by 5.1% year-over-year on a Constant Currency basis. Growth came from a variety of revenue enhancing initiatives, including beverage package sales and promotions, gaming initiatives and new strategies and promotions on our shore excursions, specialty restaurants and Internet services.

We remain dedicated to finding efficiencies, identifying synergies and reducing costs, while at the same time, focusing on strategic investments in areas that will boost revenue. In 2018, our Net Cruise Costs Excluding Fuel increased by 4.1% on a Constant Currency basis compared to 2017.

The Company remains focused on improving returns for our shareholders. In 2018, we bought back $575 million shares of common stock and we have $700 million remaining under our $1.0 billion share repurchase program that was announced in May 2018. Consistent with our earnings growth, we also announced a 17% increase to our common stock dividend, our sixth consecutive year with a dividend increase.

For the first time in our history, in 2018, three of our Global Brands each welcomed a ship. Royal Caribbean International welcomed newbuild Symphony of the Seas in March; Azamara Club Cruises welcomed Azamara Pursuit in September; and Celebrity Cruises welcomed newbuild Celebrity Edge in November. Also in 2018, TUI Cruises, our 50% joint venture, took delivery of a new Mein Schiff 1.

In addition, in July 2018, we acquired a 66.7% equity stake in Silversea Cruises, an ultra-luxury and expedition cruise line with nine ships. This acquisition enhances our presence in the ultra-luxury and expedition markets and provide us with an opportunity to drive long-term capacity growth in these markets.

In 2019, we expect our capacity to increase by 8.6% as each of the ships added to our Global Brands' fleet in 2018 will have it first full year of sailings. In addition, our Royal Caribbean brand will welcome Spectrum of the Seas, our first ship tailored to the Chinese market, which will expand our commitment to that market. In the second quarter of 2019, our Celebrity Cruises brand will welcome Celebrity Flora, the brand's first newbuild designed specifically for the Galapagos Islands. Additionally, we will have our first full year with Silversea Cruises and will launch Perfect Day at CocoCay in Spring 2019, the first development in our Perfect Day Island Collection.

From an offering perspective, we are expanding our short Caribbean program that includes the newly modernized Mariner of the Seas and the soon-to-be modernized Navigator of the Seas. We are also improving our Alaska itineraries to include larger ships for both our Royal Caribbean International and Celebrity Cruises brands. Additionally, Silversea Cruises' newest ship, the Silver Muse, will be in Alaska and Azamara will have its first Alaskan season.

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Results of Operations

In addition to the items discussed above under "Executive Overview," significant items for 2018 include:

- Our Net Income attributable to Royal Caribbean Cruises Ltd. and Adjusted Net Income for the year ended December 31, 2018 was $1.8 billion and $1.9 billion, or $8.56 and $8.86 per share on a diluted basis, respectively, as compared to both Net Income attributable to Royal Caribbean Cruises Ltd. and Adjusted Net Income of $1.6 billion, or $7.53 per share on a diluted basis, respectively, for the year ended December 31, 2017.
- Total revenues, excluding the effect of changes in foreign currency rates, increased by $704.9 million for the year ended December 31, 2018 compared to the same period in 2017 primarily due to an increase in capacity and an increase in ticket prices and onboard spending on a per passenger basis, which are further discussed below.
- The effect of changes in foreign currency exchange rates related to our passenger ticket and onboard and other revenue transactions, denominated in currencies other than the United States dollar, resulted in an increase in total revenues of $11.1 million for the year ended December 31, 2018 compared to the same period in 2017.
- Total cruise operating expenses, excluding the effect of changes in foreign currency rate, increased by $357.5 million for the year ended December 31, 2018 compared to the same period in 2017, primarily due to an increase in capacity, which is further discussed below.
- The effect of changes in foreign currency exchange rates related to our cruise operating expenses, denominated in currencies other than the United States dollar, resulted in an increase in total operating expenses of $8.1 million for the year ended December 31, 2018 compared to the same period in 2017.
- On July 31, 2018, we acquired a 66.7% equity stake in Silversea Cruises for $1.02 billion in cash and contingent consideration payable upon achievement of certain 2019-2020 performance metrics by Silversea Cruises. Due to the three-month reporting lag, our consolidated results of operations for the year ended December 31, 2018 only include results for August and September 2018 for Silversea Cruises. Refer to Note 1. General and Note 3. Business Combination to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information on the three-month reporting lag and the Silversea Cruises acquisition.

Other items for 2018 include:

- In March 2018, we took delivery of Symphony of the Seas. To finance the purchase, we borrowed $1.2 billion under a previously committed unsecured term loan. Refer to Note 9. Debt to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information. The ship entered service at the end of the first quarter of 2018.
- In March 2018, we completed the purchase of Azamara Pursuit, which entered service during the third quarter of 2018.
- In April 2018, TUI Cruises, our 50% joint venture, took delivery of a new Mein Schiff 1 and also sold the original Mein Schiff 1 to an affiliate of TUI AG. Due to the sale of the original Mein Schiff 1, we recognized a gain of $21.8 million for the year ended December 31, 2018 related to our deferred gain from the 2009 sale of this ship to TUI Cruises. Refer to Note 8. Other Assets to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information.
- In October 2018, we took delivery of Celebrity Edge. To finance the purchase, we borrowed $729.0 million under a previously committed unsecured term loan. Refer to Note 9. Debt to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information. The ship entered service in December 2018.
- For the year ended December 31, 2018, we recognized an impairment loss of $23.3 million related to the Skysea Holding investment, debt facility and other receivables due, which is reported within Other income

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(expense) within our consolidated statements of comprehensive income (loss). Refer to Note 8. Other Assets to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information on the impairment.

We reported Net Income attributable to Royal Caribbean Cruises Ltd, Adjusted Net Income, earnings per share and Adjusted Earnings per Share as shown in the following table (in thousands, except per share data):

	Year Ended December 31,		
	2018	2017	2016
Net Income attributable to Royal Caribbean Cruises Ltd.	$1,811,042	$1,625,133	$1,283,388
Adjusted Net Income attributable to Royal Caribbean Cruises Ltd.	1,873,363	1,625,133	1,314,689
Net Adjustments to Net Income attributable to Royal Caribbean Cruises Ltd. - Increase	$62,321	$—	$31,301
Adjustments to Net Income attributable to Royal Caribbean Cruises Ltd.:			
Impairment loss related to Skysea Holding (1)	$23,343	$—	$—
Impairment and other costs related to exit of tour operations business (2)	11,255	—	—
Transaction costs related to the Silversea Cruises acquisition (3)	31,759	—	—
Amortization of Silversea Cruises intangible assets resulting from the acquisition (3)	2,046	—	—
Noncontrolling interest adjustment (4)	3,156	—	—
Impact of change in accounting principle (5)	(9,238)	—	—
Net loss related to the elimination of the Pullmantur reporting lag	—	—	21,656
Net gain related to the sale of the Pullmantur and CDF Croisières de France brands	—	—	(3,834)
Restructuring charges	—	—	8,452
Other initiative costs	—	—	5,027
Net Adjustments to Net Income attributable to Royal Caribbean Cruises Ltd. - Increase	$62,321	$—	$31,301
Basic:			
Earnings per Share	$8.60	$7.57	$5.96
Adjusted Earnings per Share	$8.90	$7.57	$6.10
Diluted:			
Earnings per Share	$8.56	$7.53	$5.93
Adjusted Earnings per Share	$8.86	$7.53	$6.08
Weighted-Average Shares Outstanding:			
Basic	210,570	214,617	215,393
Diluted	211,554	215,694	216,316

(1) Refer to Note 8. Other Assets to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for information on the impairment loss related to Skysea Holding.

(2) In 2014, we created a tour operations business that focused on developing, marketing and selling land based tours around the world through an e-commerce platform. During the second quarter of 2018, we decided to cease operations and exit this business. As a result, we incurred exit costs, primarily consisting of fixed asset impairment charges and severance expense.

(3) Refer to Note 3. Business Combination to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for information on the Silversea Cruises acquisition.

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(4) Adjustment made to exclude the impact of the contractual accretion requirements associated with the put option held by Silversea Cruises Group Ltd.'s noncontrolling interest. Refer to Note 10. Noncontrolling Interest to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information on noncontrolling interest.

(5) In January 2018, we elected to change our accounting policy for recognizing stock-based compensation expense from the graded attribution method to the straight-line attribution method for time-based stock awards. Refer to Note 2. Summary of Significant Accounting Policies to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information on our accounting policy.

The following table presents operating results as a percentage of total revenues for the last three years:

	Year Ended December 31,		
	2018	2017	2016
Passenger ticket revenues	71.5 %	71.9 %	72.4 %
Onboard and other revenues	28.5 %	28.1 %	27.6 %
Total revenues	100.0 %	100.0 %	100.0 %
Cruise operating expenses:			
Commissions, transportation and other	15.1 %	15.5 %	15.9 %
Onboard and other	5.7 %	5.6 %	5.8 %
Payroll and related	9.7 %	9.7 %	10.4 %
Food	5.5 %	5.6 %	5.7 %
Fuel	7.5 %	7.8 %	8.4 %
Other operating	12.0 %	11.5 %	12.8 %
Total cruise operating expenses	55.4 %	55.8 %	59.0 %
Marketing, selling and administrative expenses	13.7 %	13.5 %	13.0 %
Depreciation and amortization expenses	10.9 %	10.8 %	10.5 %
Operating income	20.0 %	19.9 %	17.4 %
Other income (expense):			
Interest income	0.3 %	0.3 %	0.2 %
Interest expense, net of interest capitalized	(3.5)%	(3.4)%	(3.6)%
Equity investment income	2.2 %	1.8 %	1.5 %
Other income (expense)	0.1 %	(0.1)%	(0.4)%
	(0.8)%	(1.4)%	(2.3)%
Net Income	19.1 %	18.5 %	15.1 %
Less: Net Income attributable to noncontrolling interest	0.1 %	— %	— %
Net Income attributable to Royal Caribbean Cruises Ltd.	19.1 %	18.5 %	15.1 %

Selected statistical information is shown in the following table:

	Year Ended December 31,		
	2018 (1)	2017	2016 (2)
Passengers Carried	6,084,201	5,768,496	5,754,747
Passenger Cruise Days	41,853,052	40,033,527	40,250,557
APCD	38,425,304	36,930,939	37,844,644
Occupancy	108.9 %	108.4 %	106.4 %

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(1) Due to the three-month reporting lag, these amounts only include August and September 2018 amounts for Silversea Cruises. Refer to Note 1. General and Note 3. Business Combination to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information on the three-month reporting lag and the Silversea Cruises acquisition.

(2) These amounts do not include November and December 2015 amounts for Pullmantur as the net Pullmantur result for those months was included within Other expense in our consolidated statements of comprehensive income (loss) for the year ended December 31, 2016, as a result of the elimination of the Pullmantur reporting lag, and did

not affect Gross Yields, Net Yields, Gross Cruise Costs,

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Net Cruise Costs and Net Cruise Costs Excluding Fuel. Additionally, effective August 2016, we no longer include Pullmantur Holdings in these amounts.

Gross Yields and Net Yields were calculated as follows (in thousands, except APCD and Yields):

	Year Ended December 31,			
	2018	2018 On a Constant Currency basis	2017	2016
Passenger ticket revenues	$6,792,716	$6,784,937	$6,313,170	$6,149,323
Onboard and other revenues	2,701,133	2,697,798	2,464,675	2,347,078
Total revenues	9,493,849	9,482,735	8,777,845	8,496,401
Less:				
Commissions, transportation and other	1,433,739	1,432,267	1,363,170	1,349,677
Onboard and other	537,355	536,941	495,552	493,558
Net revenues including other initiative costs	7,522,755	7,513,527	6,919,123	6,653,166
Less:				
Other initiative costs included within Net Revenues	—	—	—	(2,230)
Net Revenues	$7,522,755	$7,513,527	$6,919,123	$6,655,396
APCD	38,425,304	38,425,304	36,930,939	37,844,644
Gross Yields	$247.07	$246.78	$237.68	$224.51
Net Yields	$195.78	$195.54	$187.35	$175.86

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Gross Cruise Costs, Net Cruise Costs and Net Cruise Costs Excluding Fuel were calculated as follows (in thousands, except APCD and costs per APCD):

	Year Ended December 31,			
	2018	2018 On a Constant Currency basis	2017	2016
Total cruise operating expenses	$5,262,207	$5,254,105	$4,896,579	$5,015,539
Marketing, selling and administrative expenses (1) (2)	1,269,368	1,264,509	1,186,016	1,100,290
Gross Cruise Costs	6,531,575	6,518,614	6,082,595	6,115,829
Less:				
Commissions, transportation and other	1,433,739	1,432,267	1,363,170	1,349,677
Onboard and other	537,355	536,941	495,552	493,558
Net Cruise Costs including other initiative costs	4,560,481	4,549,406	4,223,873	4,272,594
Less:				
Net gain related to the sale of Pullmantur and CDF Croisières de France brands included within other operating expenses	—	—	—	(3,834)
Other initiative costs included within cruise operating expenses and marketing, selling and administrative expenses	—	—	—	2,433
Net Cruise Costs	4,560,481	4,549,406	4,223,873	4,273,995
Less:				
Fuel (3)	710,617	710,621	681,118	713,252
Net Cruise Costs Excluding Fuel	$3,849,864	$3,838,785	$3,542,755	$3,560,743
APCD	38,425,304	38,425,304	36,930,939	37,844,644
Gross Cruise Costs per APCD	$169.98	$169.64	$164.70	$161.60
Net Cruise Costs per APCD	$118.68	$118.40	$114.37	$112.94
Net Cruise Cost Excluding Fuel per APCD	$100.19	$99.90	$95.93	$94.09

(1) For the year ended December 31, 2018, the amount does not include transaction costs related to the Silversea Cruises acquisition of $31.8 million, the impairment and other costs related to the exit of our tour operations business of $11.3 million and the impact of the change in accounting principle of $9.2 million related to the recognition of stock-based compensation expense. Refer to Note 2. Summary of Significant Accounting Policies to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information on the change in an accounting principle.

(2) For the year ended December 31, 2016, the amount does not include restructuring charges of $8.5 million.

(3) For the year ended December 31, 2016, the amount does not include fuel expense of $0.4 million included within other initiative costs associated with the redeployment of Pullmantur's Empress to the Royal Caribbean International brand.

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Outlook

The company does not make predictions about fuel pricing, interest rates or currency exchange rates but does provide guidance about its future business activities. On January 30, 2019, we announced the following initial full year and first quarter 2019 guidance based on the then current fuel pricing, interest rates and currency exchange rates:

Full Year 2019

	As Reported	Constant Currency
Net Yields	6.0% to 8.0%	6.5% to 8.5%
Net Cruise Costs per APCD	5.25% to 5.75%	5.5% to 6.0%
Net Cruise Costs per APCD, excluding Fuel	8.25% to 8.75%	8.5% to 9.0%
Capacity Change	8.6%	
Depreciation and Amortization	$1,245 to $1,255 million	
Interest Expense, net	$393 to $403 million	
Fuel Consumption (metric tons)	1,486,300	
Fuel Expenses	$690 million	
Percent Hedged (fwd consumption)	58%	
10% change in Fuel Prices	$37 million	
1% Change in Currency	$21 million	
1% Change in Net Yields	$87 million	
1% Change in NCC x Fuel	$45 million	
100 basis pt. Change in LIBOR	$36 million	
Adjusted Earnings per Share — Diluted	$9.75 to $10.00	

First Quarter 2019

	As Reported	Constant Currency
Net Yields	5.5% to 6.0%	7.5% to 8.0%
Net Cruise Costs per APCD	6.5% to 7.0%	Approx. 7.5%
Net Cruise Costs per APCD, excluding Fuel	9.0% to 9.5%	Approx. 10.0%
Capacity Change	10.8%	
Depreciation and Amortization	$289 to $293 million	
Interest Expense, net	$91 to $95 million	
Fuel Consumption (metric tons)	364,200	
Fuel Expenses	$163 million	
Percent Hedged (fwd consumption)	57%	
10% change in Fuel Prices	$9 million	
1% Change in Currency	$4 million	
1% Change in Net Yields	$19 million	
1% Change in NCC x Fuel	$12 million	
100 basis pt. Change in LIBOR	$6 million	
Adjusted Earnings per Share — Diluted	Approx. $1.10	

Since our earnings release on January 30, 2019, bookings have remained consistent with our previous expectations. Fuel prices and foreign currency exchange rates have fluctuated and are likely to continue to do so. Accordingly, except for the influence of fuel prices and foreign currency exchange rates, our forecast remains essentially unchanged.

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Volatility in foreign currency exchange rates affects the United States dollar value of our earnings. Based on our highest net exposure for each quarter and the full year 2019, the top five foreign currencies are ranked below. For example, the Australian Dollar is the most impactful currency in the first and fourth quarters of 2019. Rankings are based on estimated net exposures.

Ranking	Q1	Q2	Q3	Q4	YTD 2019
1	AUD	GBP	GBP	AUD	GBP
2	CAD	CAD	CNH	GBP	AUD
3	GBP	AUD	EUR	EUR	CAD
4	CNH	EUR	CAD	CAD	EUR
5	EUR	CNH	AUD	CNH	CNH

The currency abbreviations above are defined as follows:

Currency Abbreviation	Currency
AUD	Australian Dollar
CAD	Canadian Dollar
CNH	Chinese Yuan
EUR	Euro
GBP	British Pound

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

In this section, references to 2018 refer to the year ended December 31, 2018 and references to 2017 refer to the year ended December 31, 2017.

Revenues

Total revenues for 2018 increased $716.0 million, or 8.2%, to $9.5 billion from $8.8 billion in 2017.

Passenger ticket revenues comprised 71.5% of our 2018 total revenues. Passenger ticket revenues increased by $479.5 million, or 7.6% from 2017. The increase was primarily due to:

- a 4.0% increase in capacity, which increased Passenger ticket revenues by $255.5 million, primarily due to the addition of Symphony of the Seas in the second quarter of 2018, Azamara Pursuit in the third quarter of 2018 and, to a lesser extent, Celebrity Edge in the fourth quarter of 2018 and the Silversea Cruises fleet, partially offset by the sale of Legend of the Seas in 2017 and additional dry dock days in 2018 compared to 2017. Additionally, 2017 includes the impact of canceled sailings from hurricane-related disruptions which did not recur in 2018;
- an increase of $216.3 million in ticket prices primarily driven by higher pricing on Asia/Pacific and Europe sailings and the increase to our ticket price on a per passenger basis due to the addition of Symphony of the Seas, Azamara Pursuit, Celebrity Edge and the Silversea Cruises fleet, partially offset by a decrease in pricing on Caribbean sailings; and
- the favorable effect of changes in foreign currency exchange rates related to our revenue transactions denominated in currencies other than the United States dollar of $7.8 million.

The remaining 28.5% of 2018 total revenues was comprised of Onboard and other revenues, which increased $236.5 million, or 9.6%. The increase in Onboard and other revenues was primarily due to:

- a $112.5 million increase in onboard revenue attributable to higher spending on a per passenger basis primarily due to our revenue enhancing initiatives, including beverage package sales and promotions, gaming initiatives, and new strategies and promotions on our shore excursions, specialty restaurants and Internet services;
- a $97.4 million increase attributable to the 4.0% increase in capacity noted above; and

- a $23.2 million increase in other revenues primarily due to cancellation fees mostly associated with non-refundable deposit promotions and the addition of Silversea Cruises.

Onboard and other revenues included concession revenues of $339.0 million in 2018 and $326.5 million in 2017.

Cruise Operating Expenses

Total cruise operating expenses for 2018 increased $365.6 million, or 7.5%, to $5.3 billion in 2018 from $4.9 billion in 2017. The increase was primarily due to:

- the 4.0% increase in capacity noted above, which increased cruise operating expenses by $198.6 million;
- a $30.9 million gain recognized in 2017 resulting from the sale of Legend of the Seas, which did not recur in 2018;
- a $37.3 million increase in payroll and related expenses primarily driven by Silversea Cruises' higher crew to passenger ratio, an increase in employee bonuses and changes in our gratuity structure;
- a $23.5 million increase in air expense primarily related to the addition of Silversea Cruises and itinerary changes;
- a $19.7 million increase in vessel maintenance primarily due to the timing of scheduled drydocks; and
- an unfavorable effect of changes in foreign currency exchange rates related to our cruise operating expenses denominated in currencies other than the United States dollar of $8.1 million.

Marketing, Selling and Administrative Expenses

Marketing, selling and administrative expenses for 2018 increased $117.1 million, or 9.9%, to $1.3 billion from $1.2 billion in 2017. The increase was primarily due to transaction costs incurred by us related to the Silversea Cruises acquisition, marketing, selling and administrative expenses due to the addition of Silversea Cruises, the impairment and other costs related to the exit of our tour operations business, which occurred in 2018, and an increase in payroll and benefits expense primarily driven by an increase in headcount, partially offset by lower stock prices year over year related to our performance share awards, as well as higher spending on advertisement.

Depreciation and Amortization Expenses

Depreciation and amortization expenses for 2018 increased $82.5 million, or 8.7%, to $1.0 billion. The increase was primarily due to the addition of Symphony of the Seas, Azamara Pursuit and Silversea Cruises to our fleet and, to a lesser extent, the addition of Celebrity Edge, new shipboard additions associated with our ship upgrade projects and additions related to our shoreside projects. The increase was partially offset by the sale of Legend of the Seas in 2017.

Other Income (Expense)

Interest expense, net of interest capitalized, increased $33.7 million, or 11.2%, to $333.7 million in 2018 from $300.0 million in 2017. The increase was primarily due to a higher average debt level in 2018 compared to 2017 attributable to the financing of Symphony of the Seas, Celebrity Edge and our acquisition of Silversea Cruises in 2018, and higher interest rates in 2018 compared to 2017, partially offset by an increase in capitalized interest due to our ships on order.

Equity investment income increased $54.5 million, or 34.9%, to $210.8 million in 2018 from $156.2 million in 2017 primarily due to an increase in income from TUI Cruises.

Other income was $11.1 million in 2018 compared to Other expense of $5.3 million in 2017. The change of $16.4 million was mainly due to a gain of $21.8 million in 2018 related to the recognition of the remaining balance of a deferred gain from the sale of Celebrity Galaxy to TUI Cruises in March 2009. In April 2018, TUI Cruises sold this ship to an affiliate of TUI AG, resulting in the recognition of the remaining balance of the deferred gain. In addition, Other income in 2018 includes a gain of $13.7 million related to the sale of our remaining equity interest in a travel agency business that we sold in 2015. The increase in Other income was partially offset by an impairment charge of $23.3 million to write down our investment balance, debt facility and other receivables due from Skysea Holding to their net realizable value in 2018. For further information on the deferred gain recognized and impairment charge, refer to Note 8. Other Assets to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data.

Gross and Net Yields

Gross and Net Yields increased 4.0% and 4.5% in 2018, respectively, compared to 2017 primarily due to the increase in passenger ticket and onboard and other revenues, which are further discussed above. Gross and Net Yields on a Constant Currency basis increased 3.8% and 4.4%, respectively, in 2018 compared to 2017.

Gross and Net Cruise Costs

Gross and Net Cruise Costs increased 7.4% and 8.0%, respectively, in 2018 compared to 2017 and Gross and Net Cruise Costs per APCD increased 3.2% and 3.8%, respectively, in 2018, compared to 2017, primarily due to the increase in cruise operating expenses discussed above. Gross and Net Cruise Costs on a Constant Currency basis increased 7.2% and 7.7% respectively, in 2018 compared to 2017.

Net Cruise Costs Excluding Fuel

Net Cruise Costs Excluding Fuel per APCD increased 4.4% in 2018 compared to 2017 and on a Constant Currency basis increased 4.1% in 2018 compared to 2017.

Other Comprehensive (Loss) Income

Other comprehensive loss in 2018 was $293.5 million compared to Other comprehensive income of $582.2 million in 2017. The change of $875.7 million was primarily due to the Loss on cash flow derivative hedges in 2018 of $286.9 million compared to the Gain on cash flow derivative hedges of $570.5 million in 2017. The change of $857.4 million in 2018 was primarily due to a decrease in foreign currency forward contract values in 2018 compared to an increase in 2017, a decrease in fuel swap instrument values in 2018 compared to an increase in 2017 and fuel swap losses recognized in income in 2017 compared to fuel swap gains recognized in income in 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

In this section, references to 2017 refer to the year ended December 31, 2017 and references to 2016 refer to the year ended December 31, 2016.

Revenues

Total revenues for 2017 increased $281.4 million, or 3.3%, to $8.8 billion from $8.5 billion in 2016.

Passenger ticket revenues comprised 71.9% of our 2017 total revenues. Passenger ticket revenues increased by $163.8 million, or 2.7% from 2016, despite the impact of canceled sailings resulting from hurricane-related disruptions during the third quarter of 2017. The increase was primarily due to:

- an increase of $301.8 million in ticket prices primarily driven by the improvement in our ticket price on a per passenger basis due to the exit of the Pullmantur ships and the addition of Harmony of the Seas and Ovation of the Seas, as well as higher pricing on North America and Europe sailings. The increase in ticket prices on these itineraries was partially offset by lower pricing on Asia/Pacific sailings; and
- the favorable effect of changes in foreign currency exchange rates related to our revenue transactions denominated in currencies other than the United States dollar of approximately $10.6 million.

The increase in Passenger ticket revenues was partially offset by a 2.4% decrease in capacity, which decreased Passenger ticket revenues by $148.5 million primarily due to the sale of our majority interest in Pullmantur Holdings during the third quarter of 2016, the sale of Splendour of the Seas in the second quarter of 2016 and the sale of Legend of the Seas in first quarter of 2017, which was partially offset by an increase in capacity due to the addition of Ovation of the Seas and Harmony of the Seas into our fleet during the second quarter of 2016.

The remaining 28.1% of 2017 total revenues was comprised of Onboard and other revenues, which increased $117.6 million, or 5.0%. The increase in Onboard and other revenues was primarily due to:

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- a $125.3 million increase in onboard revenue attributable to higher spending on a per passenger basis primarily due to our revenue enhancing initiatives, including beverage package, shore excursion and specialty restaurant sales and promotions and increased revenue associated with internet and other telecommunication services; and
- a $45.7 million increase in other revenue primarily due to charter revenue and management fees earned from Pullmantur Holdings.

The increase was partially offset by a $55.6 million decrease attributable to the 2.4% decrease in capacity noted above, including the impact of canceled sailings resulting from hurricane-related disruptions during the third quarter of 2017.

Onboard and other revenues included concession revenues of $326.5 million in 2017 and $316.9 million in 2016.

Cruise Operating Expenses

Total cruise operating expenses for 2017 decreased $119.0 million, or 2.4%, to $4.9 billion in 2017 from $5.0 billion in 2016. The decrease was primarily due to:

- a $120.5 million decrease attributable to the 2.4% decrease in capacity noted above;
- a $30.9 million gain resulting from the sale of Legend of the Seas in 2017 compared to an immaterial gain from the sale of Splendour of the Seas in 2016;
- a $17.2 million decrease in air expense due to itinerary changes and lower ticket costs;
- a $16.8 million decrease in vessel maintenance primarily due to the timing of scheduled drydocks; and
- a $15.5 million decrease in fuel expense, excluding the impact of the decrease in capacity. Our cost of fuel (net of the financial impact of fuel swap agreements) for 2017 decreased 4.6% per metric ton compared to 2016.

The decrease was partially offset by:

- a $33.8 million increase in commissions expense mainly due to the increase in ticket prices discussed above and changes in commission incentives;
- a $19.3 million increase in head taxes primarily due to itinerary changes; and
- an $18.9 million increase in food expenses mainly due to our new culinary initiatives.

Marketing, Selling and Administrative Expenses

Marketing, selling and administrative expenses for 2017 increased $77.3 million, or 7.0%, to $1.2 billion from $1.1 billion in 2016. The increase was primarily due to an increase in payroll and benefits mostly driven by higher stock prices year over year related to our performance share awards, partially offset by a decrease in expenses due to the sale of our majority interest in Pullmantur Holdings.

Depreciation and Amortization Expenses

Depreciation and amortization expenses for 2017 increased $56.3 million, or 6.3%, to $951.2 million from $894.9 million in 2016. The increase was primarily due to the addition of Ovation of the Seas and Harmony of the Seas in the second quarter of 2016, new shipboard additions associated with our ship upgrade projects and, to a lesser extent, additions related to our shoreside projects. The increase was partially offset by the decrease in depreciation associated with the sale of Legend of the Seas in the first quarter of 2017 and, to a lesser extent, the sale of Splendour of the Seas in the second quarter of 2016.

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Other Income (Expense)

Interest expense, net of interest capitalized, decreased $7.4 million, or 2.4%, to $300.0 million in 2017 from $307.4 million in 2016. The decrease was due to a lower average debt level in 2017 compared to 2016, partially offset by higher interest rates in 2017 compared to 2016.

Equity investment income increased $27.9 million, or 21.7%, to $156.2 million in 2017 from $128.4 million in 2016 primarily due to an increase in income from TUI Cruises.

Other expense decreased $30.4 million, or 85.2%, to $5.3 million in 2017 from $35.7 million in 2016. The decrease was primarily due to a net loss of $21.7 million related to the elimination of the Pullmantur reporting lag in 2016 which did not recur in 2017.

Gross and Net Yields

Gross and Net Yields increased 5.9% and 6.5% in 2017, respectively, compared to 2016 primarily due to the increase in passenger ticket and onboard and other revenues discussed above.

Gross and Net Cruise Costs

Gross Cruise Costs remained consistent in 2017 compared to 2016. Net Cruise Costs decreased 1.2% in 2017 compared to 2016 primarily due to the decrease in capacity and cruise operating expenses discussed above. Gross Cruise Costs per APCD and Net Cruise Costs per APCD increased 1.9% and 1.3% in 2017, respectively, compared to 2016. The increase was mainly due to the hurricane related disruptions during the third quarter of 2017 which reduced our capacity; however, certain operating expenses were still incurred, negatively impacting our metrics per APCD. Net Cruise Costs Excluding Fuel per APCD increased 2.0% in 2017 compared to 2016.

Other Comprehensive Income

Other comprehensive income in 2017 was $582.2 million compared to $411.9 million in 2016. The increase of $170.3 million, or 41.3%, was primarily due to the Gain on cash flow derivative hedges in 2017 of $570.5 million compared to $411.2 million in 2016. The increase of $159.3 million in 2017 was primarily due to an increase in foreign currency forward contract values in 2017 compared to a decrease in 2016, which was partially offset by lower amounts of fuel swap losses reclassified to income in 2017 and a smaller increase in fuel swap instrument values in 2017 compared to 2016.

Future Application of Accounting Standards

Refer to Note 2. Summary of Significant Accounting Policies to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information on Recent Accounting Pronouncements.

Liquidity and Capital Resources

Sources and Uses of Cash

Cash flow generated from operations provides us with a significant source of liquidity. Net cash provided by operating activities increased $604.6 million to $3.5 billion in 2018 compared to $2.9 billion in 2017. The increase in cash provided by operating activities was primarily attributable to an increase in proceeds from customer deposits, an increase in cash receipts from onboard spending and an increase of $133.4 million in dividends received from unconsolidated affiliates.

Net cash provided by operating activities increased $357.9 million to $2.9 billion in 2017 compared to $2.5 billion in 2016. The increase in cash provided by operating activities was primarily attributable to an increase in proceeds from customer deposits, an increase in cash receipts from onboard spending and a decrease in fuel costs in 2017 compared to 2016. Additionally, dividends received from unconsolidated affiliates increased by $33.7 million.

Net cash used in investing activities increased $4.3 billion to $4.5 billion in 2018 compared to $213.6 million in 2017. The increase was primarily attributable to an increase in capital expenditures of $3.1 billion primarily due to the delivery of Symphony of the Seas and Celebrity Edge and to a lesser extent the purchase of Azamara Pursuit in 2018 compared to no ship deliveries or purchases in 2017 and $916.1 million of cash paid for the acquisition of Silversea Cruises, net of cash acquired, in 2018 as well as $230.0 million of proceeds received from the sale of property and equipment in 2017, which did not recur in 2018.

Net cash used in investing activities decreased $2.5 billion to $213.6 million in 2017 compared to $2.7 billion in 2016. The decrease was primarily attributable to a decrease in capital expenditures of $1.9 billion due to ship deliveries in 2016 of Ovation of the Seas and Harmony of the Seas, compared to no ship deliveries in 2017. In addition, we received $230.0 million of proceeds from the sale of property and equipment in 2017 which did not occur in 2016. Furthermore, during 2017, we received cash of $63.2 million on settlements on our foreign currency forward contracts compared to net cash paid of $213.2 million during 2016.

Net cash provided by financing activities was $1.2 billion in 2018 compared to Net cash used in financing activities of $2.7 billion in 2017. The change was primarily attributable to an increase in proceeds from the issuance of commercial paper notes of $4.7 billion in 2018 compared to none issued in 2017 and an increase in debt proceeds of $2.7 billion in 2018 compared to 2017. The increase in debt proceeds in 2018 was primarily due to the $1.2 billion unsecured term loan borrowed to finance Symphony of the Seas, the $729.0 million unsecured term loan borrowed to finance Celebrity Edge, the $700.0 million unsecured term loan borrowed to finance the acquisition of Silversea Cruises, an increase in borrowings on our revolving credit facilities and the $130.0 million credit agreement.

This increase was partially offset by repayments of commercial paper notes of $4.0 billion in 2018 compared to no repayments in 2017, an increase in stock repurchases of $350.0 million and a higher amount of dividends paid during 2018 compared to 2017.

Net cash used in financing activities was $2.7 billion in 2017 compared to Net cash provided in financing activities of $243.8 million in 2016. The change was primarily attributable to a decrease in debt proceeds of $1.5 billion, an increase in debt repayments of $1.5 billion and a higher amount of dividends paid during 2017 compared to 2016, partially offset by a decrease of stock repurchases of $75.0 million during 2017 compared to 2016. The decrease in debt proceeds was primarily due to the $841.8 million unsecured term loan borrowed in 2016 to finance Ovation of the Seas and the €700.7 million and $226.1 million unsecured term loans borrowed in 2016 to finance Harmony of the Seas that did not recur in 2017 and lower drawings on our revolving credit facilities during 2017 compared to 2016, partially offset by $800 million in proceeds received from unsecured senior notes issued during 2017 which did not occur in 2016. The increase in repayment of debt was primarily due to higher payments on our revolving credit facilities.

Future Capital Commitments

Our future capital commitments consist primarily of new ship orders. As of December 31, 2018, we have one Oasis-class ship, two Quantum-class ships and two ships of a new generation, known as our Icon-class, on order for our Royal Caribbean International brand with an aggregate capacity of approximately 25,300 berths. As of December 31, 2018, we have three Edge-class ships and a ship designed for the Galapagos Islands on order for our Celebrity Cruises brand with an aggregate capacity of approximately 9,400 berths. Additionally as of December 31, 2018, we have three ships on order for our Silversea Cruises brand with an aggregate capacity of approximately 1,200 berths. Refer to Item 1. Business-Operations for further information on our ships on order. For each of these orders, we have committed financing arrangements in place covering 80% of the cost of the ship, almost all of which include sovereign financing guarantees.

As of December 31, 2018, the aggregate cost of our ships on order, not including any ships on order by our Partner Brands and the Silversea Cruises ships that remain contingent upon final documentation and financing, was approximately $11.4 billion, of which we had deposited $651.7 million as of such date. Approximately 53.5% of the aggregate cost was exposed to fluctuations in the Euro exchange rate at December 31, 2018. (Refer to Note 17. Fair Value Measurements and Derivative Instruments and Note 18. Commitments and Contingencies to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data).

In February 2019, we entered into an agreement with Chantiers de l'Atlantique to build the sixth Oasis-class ship for Royal Caribbean International. The ship is expected to have an aggregate capacity of approximately 5,700 berths

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and is expected to enter service in the fourth quarter of 2023. The order with Chantiers de l'Atlantique is contingent upon completion of conditions precedent and financing, which is expected to be completed in 2019.

As of December 31, 2018, anticipated overall capital expenditures, based on our existing ships on order, are approximately $2.9 billion for 2019, $3.3 billion for 2020, $2.9 billion for 2021 and $3.4 billion for 2022.

Contractual Obligations

As of December 31, 2018, our contractual obligations were as follows (in thousands):

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Activities:					
Operating lease obligations(1)	$677,316	$67,682	$120,380	$105,281	$383,973
Interest on long-term debt(2)	1,654,937	349,736	510,679	414,775	379,747
Other(3)	819,841	224,253	321,225	124,668	149,695
Investing Activities:					
Ship purchase obligations(4)	9,075,882	1,241,657	4,107,744	2,500,756	1,225,725
Financing Activities:					
Commercial paper(5)	775,488	775,488	—	—	—
Debt obligations(6)	9,871,267	1,614,506	2,456,251	2,252,831	3,547,679
Capital lease obligations(7)	130,944	32,335	69,703	19,168	9,738
Other(8)	18,365	8,018	8,632	1,715	—
Total	$23,024,040	$4,313,675	$7,594,614	$5,419,194	$5,696,557

(1) We are obligated under noncancelable operating leases primarily for offices, warehouses and motor vehicles. Amounts represent contractual obligations with initial terms in excess of one year.

(2) Debt obligations mature at various dates through fiscal year 2036 and bear interest at fixed and variable rates. Interest on variable-rate debt is calculated based on forecasted debt balances, including the impact of interest rate swap agreements, using the applicable rate at December 31, 2018. Debt denominated in other currencies is calculated based on the applicable exchange rate at December 31, 2018.

(3) Amounts primarily represent future commitments with remaining terms in excess of one year to pay for our usage of certain port facilities, marine consumables, services and maintenance contracts.

(4) Amounts do not include potential obligations which remain subject to cancellation at our sole discretion and activity related to Silversea Cruises during the three-month reporting lag period. Additionally, amounts do not include the conditional agreement with Meyer Werft for the two Silversea Cruises ships of a new generation.

(5) Refer to Note 9. Debt to our consolidated financial statements under Item 8. Financial Statements and Supplemental Data to our consolidated financial statements for further information.

(6) Debt denominated in other currencies is calculated based on the applicable exchange rate at December 31, 2018. In addition, debt obligations presented above are net of debt issuance costs of $206.7 million as of December 31, 2018.

(7) Amounts represent capital lease obligations with initial terms in excess of one year.

(8) Amounts represent fees payable to sovereign guarantors in connection with certain of our export credit debt facilities and facility fees on our revolving credit facilities.

Please refer to Funding Needs and Sources below for discussion on the planned funding of the above contractual obligations.

As a normal part of our business, depending on market conditions, pricing and our overall growth strategy, we continuously consider opportunities to enter into contracts for the building of additional ships. We may also consider the sale of ships or the purchase of existing ships. We continuously consider potential acquisitions and strategic alliances.

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If any of these were to occur, they would be financed through the incurrence of additional indebtedness, the issuance of additional shares of equity securities or through cash flows from operations.

Off-Balance Sheet Arrangements

We and TUI AG have each guaranteed the repayment by TUI Cruises of 50% of a bank loan. As of December 31, 2018, the outstanding principal amount of the loan was €37.0 million, or approximately $42.3 million, based on the exchange rate at December 31, 2018. The loan amortizes quarterly and is currently secured by a first mortgage on Mein Schiff Herz, previously known as Mein Schiff 2. Based on current facts and circumstances, we do not believe potential obligations under our guarantee of this bank loan are probable.

TUI Cruises has entered into various ship construction and credit agreements that include certain restrictions on each of our and TUI AG's ability to reduce our current ownership interest in TUI Cruises below 37.55% through May 2031.

In July 2016, we executed an agreement with Miami Dade County (“MDC”), which was simultaneously assigned to Sumitomo Banking Corporation (“SMBC”), to lease land from MDC and construct a new cruise terminal of approximately 170,000 square feet at PortMiami in Miami, Florida, which was completed during the fourth quarter of 2018 and serves as a homeport. During the construction period, SMBC funded the costs of the terminal’s construction and land lease. Once the terminal was substantially completed, we commenced operating and leasing the terminal from SMBC for a five-year term. We determined that the lease arrangement between SMBC and us should be accounted for as an operating lease.

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

As of December 31, 2018, other than the items described above, we are not party to any other off-balance sheet arrangements, including guarantee contracts, retained or contingent interest, certain derivative instruments and variable interest entities, that either have, or are reasonably likely to have, a current or future material effect on our financial position.

Funding Needs and Sources

We have significant contractual obligations of which our debt service obligations and the capital expenditures associated with our ship purchases represent our largest funding needs. As of December 31, 2018, we had approximately $4.3 billion in contractual obligations due through December 31, 2019 of which approximately $1.6 billion relates to debt maturities, $349.7 million relates to interest on long-term debt and $1.2 billion relates to progress payments on our ship orders and the final installments payable due upon the deliveries of Spectrum of the Seas and Celebrity Flora in 2019. We have historically relied on a combination of cash flows provided by operations, drawdowns under our available credit facilities, the incurrence of additional debt and/or the refinancing of our existing debt and the issuance of additional shares of equity securities to fund these obligations.

As of December 31, 2018, we had a working capital deficit of $5.9 billion, which included $1.6 billion of current portion of debt, including capital leases, and $775.5 million of commercial paper. As of December 31, 2017, we had a working capital deficit of $3.9 billion, which included $1.2 billion of current portion of debt, including capital leases. Similar to others in our industry, we operate with a substantial working capital deficit. This deficit is mainly attributable to the fact that, under our business model, a vast majority of our passenger ticket receipts are collected in advance of the applicable sailing date. These advance passenger receipts remain a current liability until the sailing date. The cash generated from these advance receipts is used interchangeably with cash on hand from other sources, such as our revolving credit facilities, commercial paper and other cash from operations. The cash received as advanced receipts

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can be used to fund operating expenses for the applicable future sailing or otherwise, pay down our revolving credit facilities and commercial paper notes, invest in long term investments or any other use of cash. In addition, we have a relatively low-level of accounts receivable and rapid turnover results in a limited investment in inventories. We generate substantial cash flows from operations, and our business model, along with our unsecured revolving credit facilities, has historically allowed us to maintain this working capital deficit and still meet our operating, investing and financing needs. We expect that we will continue to have working capital deficits in the future.

As of December 31, 2018, we had liquidity of $1.3 billion, consisting of $287.9 million in cash and cash equivalents and $1.0 billion available under our unsecured credit facilities, net of our outstanding commercial paper notes. We anticipate that our cash flows from operations and our current financing arrangements, as described above, will be adequate to meet our capital expenditures and debt repayments over the next twelve-month period.

As of December 31, 2018, we have $700.0 million that remains available for future common stock repurchase transactions under a 24-month common stock repurchase program for up to $1.0 billion authorized by our board of directors in May 2018. Repurchases under the program may be made at management's discretion from time to time on the open market or through privately negotiated transactions and are expected to be funded from available cash or borrowings under our revolving credit facilities. Refer to Note 11. Shareholders' Equity to our consolidated financial statements under Item 8. Financial Statements and Supplemental Data for further information.

If any person acquires ownership of more than 50% of our common stock or, subject to certain exceptions, during any 24-month period, a majority of our board of directors is no longer comprised of individuals who were members of our board of directors on the first day of such period, we may be obligated to prepay indebtedness outstanding under our credit facilities, which we may be unable to replace on similar terms. Our public debt securities also contain change of control provisions that would be triggered by a third-party acquisition of greater than 50% of our common stock coupled with a ratings downgrade. If this were to occur, it would have an adverse impact on our liquidity and operations.

Debt Covenants

Certain of our financing agreements contain covenants that require us, among other things, to maintain minimum net worth of at least $8.9 billion, a fixed charge coverage ratio of at least 1.25x and limit our net debt-to-capital ratio to no more than 62.5%. The fixed charge coverage ratio is calculated by dividing net cash from operations for the past four quarters by the sum of dividend payments plus scheduled principal debt payments in excess of any new financings for the past four quarters. Our minimum net worth and maximum net debt-to-capital calculations exclude the impact of Accumulated other comprehensive loss on Total shareholders' equity. We were well in excess of all debt covenant requirements as of December 31, 2018. The specific covenants and related definitions can be found in the applicable debt agreements, the majority of which have been previously filed with the Securities and Exchange Commission.

Dividends

In December 2018, we declared a cash dividend on our common stock of $0.70 per share which was paid in the first quarter of 2019. We declared a cash dividend on our common stock of $0.70 per share during the third quarter of 2018 which was paid in the fourth quarter of 2018. During the first and second quarters of 2018, we declared a cash dividend on our common stock of $0.60 per share which was paid in the second and third quarters of 2018, respectively. During the first quarter of 2018, we also paid a cash dividend on our common stock of $0.60 per share which was declared during the fourth quarter of 2017.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Financial Instruments and Other

General

We are exposed to market risk attributable to changes in interest rates, foreign currency exchange rates and fuel prices. We try to mitigate these risks through a combination of our normal operating and financing activities and through the use of derivative financial instruments pursuant to our hedging practices and policies. The financial impact of these hedging instruments is primarily offset by corresponding changes in the underlying exposures being hedged. We achieve this by closely matching the amount, term and conditions of the derivative instrument with the underlying risk being hedged. Although certain of our derivative financial instruments do not qualify or are not accounted for under hedge accounting, our objective is not to hold or issue derivative financial instruments for trading or other speculative purposes. (Refer to Note 17. Fair Value Measurements and Derivative Instruments to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data.)

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates to our long-term debt obligations including future interest payments. At December 31, 2018, approximately 59.1% of our long-term debt was effectively fixed as compared to 57.4% as of December 31, 2017. We use interest rate swap agreements to modify our exposure to interest rate movements and to manage our interest expense.

Market risk associated with our long-term fixed rate debt is the potential increase in fair value resulting from a decrease in interest rates. We use interest rate swap agreements that effectively convert a portion of our fixed-rate debt to a floating-rate basis to manage this risk. At December 31, 2018 and 2017, we maintained interest rate swap agreements on the following fixed-rate debt instruments:

Debt Instrument	Swap Notional as of December 31, 2018 (In thousands)	Maturity	Debt Fixed Rate	Swap Floating Rate: LIBOR plus	All-in Swap Floating Rate as of December 31, 2018
Oasis of the Seas term loan	$ 105,000	October 2021	5.41%	3.87%	6.63%
Unsecured senior notes	650,000	November 2022	5.25%	3.63%	6.25%
	$ 755,000				

These interest rate swap agreements are accounted for as fair value hedges.

The estimated fair value of our long-term fixed-rate debt at December 31, 2018 was $2.7 billion, using quoted market prices, where available, or using the present value of expected future cash flows which incorporates risk profile. The fair value of our fixed to floating interest rate swap agreements was estimated to be a liability of $25.4 million as of December 31, 2018, based on the present value of expected future cash flows. A hypothetical one percentage point decrease in interest rates at December 31, 2018 would increase the fair value of our hedged and unhedged long-term fixed-rate debt by approximately $133.9 million and would increase the fair value of our fixed to floating interest rate swap agreements by approximately $24.3 million.

Market risk associated with our long-term floating-rate debt is the potential increase in interest expense from an increase in interest rates. We use interest rate swap agreements that effectively convert a portion of our floating-rate debt to a fixed-rate basis to manage this risk. A hypothetical one percentage point increase in interest rates would increase our forecasted 2019 interest expense by approximately $35.7 million, assuming no change in foreign currency exchange rates.

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At December 31, 2018 and 2017, we maintained interest rate swap agreements on the following floating-rate debt instruments:

Debt Instrument	Swap Notional as of December 31, 2018 (In thousands)	Maturity	Debt Floating Rate		All-in Swap Fixed Rate
Celebrity Reflection term loan	$327,250	October 2024	LIBOR plus	0.40%	2.85%
Quantum of the Seas term loan	490,000	October 2026	LIBOR plus	1.30%	3.74%
Anthem of the Seas term loan	513,542	April 2027	LIBOR plus	1.30%	3.86%
Ovation of the Seas term loan	657,083	April 2028	LIBOR plus	1.00%	3.16%
Harmony of the Seas term loan (1)	627,660	May 2028	EURIBOR plus	1.15%	2.26%
	$2,615,535				

(1) Interest rate swap agreements hedging the Euro-denominated term loan for Harmony of the Seas include EURIBOR zero-floors matching the hedged debt EURIBOR zero-floor. Amount presented is based on the exchange rate as of December 31, 2018.

These interest rate swap agreements are accounted for as cash flow hedges.

The fair value of our floating to fixed interest rate swap agreements was estimated to be an asset of $7.6 million as of December 31, 2018 based on the present value of expected future cash flows. These interest rate swap agreements are accounted for as cash flow hedges.

Foreign Currency Exchange Rate Risk

Our primary exposure to foreign currency exchange rate risk relates to our ship construction contracts denominated in Euros, our foreign currency denominated debt and our international business operations. On a regular basis, we enter into foreign currency forward contracts and, from time to time, we utilize cross-currency swap agreements and collar options to manage portions of the exposure to movements in foreign currency exchange rates.

The estimated fair value, as of December 31, 2018, of our Euro-denominated forward contracts associated with our ship construction contracts was a liability of $40.7 million, based on the present value of expected future cash flows. As of December 31, 2018, the aggregate cost of our ships on order, not including ships on order by our Partner Brands and the Silversea Cruises ships that remain contingent upon final documentation and financing, was approximately $11.4 billion, of which we had deposited $651.7 million as of such date. Approximately 53.5% and 54.0% of the aggregate cost of the ships under construction was exposed to fluctuations in the Euro exchange rate at December 31, 2018 and 2017, respectively. A hypothetical 10% strengthening of the Euro as of December 31, 2018, assuming no changes in comparative interest rates, would result in a $609.0 million increase in the United States dollar cost of the foreign currency denominated ship construction contracts exposed to fluctuations in the Euro exchange rate. Our foreign currency forward contract agreements are accounted for as cash flow or net investment hedges depending on the designation of the related hedge.

Our international business operations subject us to foreign currency exchange risk. We transact business in many different foreign currencies and maintain investments in foreign operations which may expose us to financial market risk resulting from fluctuations in foreign currency exchange rates. Movements in foreign currency exchange rates may affect the value of our earnings in foreign currencies and cash flows. We manage most of this exposure on a consolidated basis, which allows us to take advantage of any natural offsets. Therefore, weakness in one particular currency might be offset by strengths in other currencies over time. The extent to which one currency is effective as a natural offset of another currency fluctuates over time. In addition, some foreign currency exposures have little to no mitigating natural offsets available.

We consider our investments in our foreign operations to be denominated in relatively stable currencies and of a long-term nature. As of December 31, 2018, we maintained foreign currency forward contracts and designated them as hedges of a portion of our net investment in TUI Cruises of €101.0 million, or approximately $115.5 million based on the exchange rate at December 31, 2018. These forward currency contracts mature in October 2021.

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We also address the exposure of our investments in foreign operations by denominating a portion of our debt in our subsidiaries' and investments' functional currencies and designating it as a hedge of these subsidiaries and investments. We had designated debt as a hedge of our net investments primarily in TUI Cruises of approximately €280.0 million, or approximately $320.2 million, through December 31, 2018. As of December 31, 2017, we had designated debt as a hedge of our net investments primarily in TUI Cruises of approximately €246.0 million, or approximately $295.3 million.

We have included approximately $86.1 million and $68.5 million of foreign-currency transaction losses and of changes in the fair value of derivatives in the foreign currency translation adjustment component of Accumulated other comprehensive loss at December 31, 2018 and 2017, respectively.

On a regular basis, we enter into foreign currency forward contracts and, from time to time, we utilize cross-currency swap agreements and collar options to minimize the volatility resulting from the remeasurement of net monetary assets and liabilities denominated in a currency other than our functional currency or the functional currencies of our foreign subsidiaries. During 2018, we maintained an average of approximately $741.5 million of these foreign currency forward contracts. These instruments are not designated as hedging instruments. For the years ended December 31, 2018, 2017 and 2016 changes in the fair value of the foreign currency forward contracts resulted in (losses) gains of approximately $(62.4) million, $62.0 million and $(51.1) million, respectively, which offset gains (losses) arising from the remeasurement of monetary assets and liabilities denominated in foreign currencies in those same years of $57.6 million, $(75.6) million and $39.8 million, respectively. These changes were recognized in earnings within Other income (expense) in our consolidated statements of comprehensive income (loss).

Fuel Price Risk

Our exposure to market risk for changes in fuel prices relates primarily to the consumption of fuel on our ships. Fuel cost (net of the financial impact of fuel swap agreements), as a percentage of our total revenues, was approximately 7.5% in 2018, 7.8% in 2017 and 8.4% in 2016. We use fuel swap agreements to mitigate the financial impact of fluctuations in fuel prices.

As of December 31, 2018, we had fuel swap agreements to pay fixed prices for fuel with an aggregate notional amount of approximately $1.1 billion, maturing through 2022. The fuel swap agreements represented 58% of our projected 2019 fuel requirements, 54% of our projected 2020 fuel requirements, 28% of our projected 2021 fuel requirements and 19% of our projected 2022 fuel requirements. These fuel swap agreements are generally accounted for as cash flow hedges. The estimated fair value of these contracts at December 31, 2018 was estimated to be an liability of $79.6 million. We estimate that a hypothetical 10% increase in our weighted-average fuel price from that experienced during the year ended December 31, 2018 would increase our forecasted 2019 fuel cost by approximately $37.0 million, net of the impact of fuel swap agreements.

Item 8. Financial Statements and Supplementary Data

Our Consolidated Financial Statements and Quarterly Selected Financial Data are included beginning on page F-1 of this report.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

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Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chairman and Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Based upon such evaluation, our Chairman and Chief Executive Officer and Chief Financial Officer concluded that those controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chairman and Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's (the "SEC") rules and forms.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our management, with the participation of our Chairman and Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2018.

In July 31, 2018, we acquired Silversea Cruise Holding Ltd. ("Silversea Cruises"). Due to the timing of this acquisition, we excluded Silversea Cruises from the scope of our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018. The total assets, excluding goodwill and identifiable intangible assets, and total revenues of Silversea Cruises represent approximately 5.0% and 1.4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2018. This exclusion is in accordance with the general guidance issued by the SEC Staff that an assessment of a recent business acquisition may be omitted from management's report on internal control over financial reporting in the first year of consolidation. We are in the process of evaluating the controls and procedures at Silversea Cruises and integrating Silversea Cruises into our internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this Annual Report on Form 10-K, as stated in its report, which is included herein on page F-2.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Exchange Act Rule 13a-15(d) during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only reasonable assurance that our controls will succeed in achieving their goals under all potential future conditions.

Item 9B. Other Information

None.

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PART III

Items 10, 11, 12, 13 and 14. Directors, Executive Officers and Corporate Governance; Executive Compensation; Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters; Certain Relationships and Related Transactions; and Director Independence and Principal Accountant Fees and Services.

Except for information concerning executive officers (called for by Item 401(b) of Regulation S-K), which is included in Part I of this Annual Report on Form 10-K, the information required by Items 10, 11, 12, 13 and 14 is incorporated herein by reference to certain sections of the Royal Caribbean Cruises Ltd. Definitive Proxy Statement relating to our 2019 Annual Meeting of Shareholders (the "Proxy Statement") to be filed with the Securities and Exchange Commission no later than 120 days after the close of the fiscal year. Please refer to the following sections in the Proxy Statement for more information: "Corporate Governance"; "Proposal 1—Election of Directors"; "Certain Relationships and Related Person Transactions"; "Section 16(a) Beneficial Ownership Reporting Compliance"; "Executive Compensation"; "Security Ownership of Certain Beneficial Owners and Management"; and "Proposal 3—Ratification of Principal Independent Registered Public Accounting Firm." Copies of the Proxy Statement will become available when filed through our Investor Relations website at www.rclcorporate.com (please see "Financial Reports" under "Financial Information"); by contacting our Investor Relations department at 1050 Caribbean Way, Miami, Florida 33132—telephone (305) 982-2625; or by visiting the SEC's website at www.sec.gov.

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, including our executive officers, and our directors. A copy of the Code of Business Conduct and Ethics is posted in the corporate governance section of our website at www.rclcorporate.com and is available in print, without charge, to shareholders upon written request to our Corporate Secretary at Royal Caribbean Cruises, Ltd., 1050 Caribbean Way, Miami, Florida 33132. Any amendments to the code or any waivers from any provisions of the code granted to executive officers or directors will be promptly disclosed to investors by posting on our website at www.rclcorporate.com. None of the websites referenced in this Annual Report on Form 10-K or the information contained therein is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

Our Consolidated Financial Statements have been prepared in accordance with Item 8. Financial Statements and Supplementary Data and are included beginning on page F-1 of this report.

(2) Financial Statement Schedules

None.

(3) Exhibits

Exhibits 10.30 through 10.49 represent management compensatory plans or arrangements.

		Incorporated By Reference		
Exhibit Number	Exhibit Description	Form	Exhibit	Filing Date/ Period End Date
3.1	Restated Articles of Incorporation of the Company, as amended (composite)	S-3	3.1	3/23/2009
3.2	Amended and Restated By-Laws of the Company, as amended	8-K	3.1	12/6/2018
4.1	Indenture dated as of July 15, 1994, by and between the Company, as issuer, and The Bank of New York Trust Company, N.A., successor to NationsBank of Georgia, National Association, as Trustee	20-F	2.4	12/31/1994
4.2	Sixth Supplemental Indenture dated as of October 14, 1997, to the Indenture, dated as of July 15, 1994, by and between the Company, as issuer, and The Bank of New York Trust Company, N.A., as Trustee	20-F	2.11	12/31/1997
4.3	Eighth Supplemental Indenture dated as of March 16, 1998, to the Indenture, dated as of July 15, 1994, by and between the Company, as issuer, and The Bank of New York Trust Company, N.A., as Trustee	20-F	2.13	12/31/1997
4.4	Form of Indenture, dated as of July 31, 2006, by and between the Company, as issuer, and The Bank of New York Trust Company, N.A., as Trustee	S-3	4.1	7/31/2006
4.5	Second Supplemental Indenture dated as of November 7, 2012 between the Company, as issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee	8-K	4.1	11/7/2012
4.6	Third Supplemental Indenture, dated as of November 28, 2017 between the Company, as issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee	8-K	4.1	11/28/2017
4.7	Indenture dated as of January 30, 2017 among Silversea Cruise Finance Ltd., as issuer, Citibank, N.A., London Branch, as Trustee, as Principal Paying Agent and as Security Agent, and Citigroup Global Markets Deutschland AG, as Registrar*			
4.8	Supplemental Indenture dated as of February 1, 2017 by and among Silversea Cruise Finance Ltd., as issuer, the other parties listed as New Guarantors, and Citibank, N.A., London Branch, as Trustee*			
4.9	Second Supplemental Indenture dated as of February 1, 2019 by and between Silversea Cruise Finance Ltd., as issuer, and Citibank, N.A., London Branch, as Trustee*			
10.1	Amended and Restated Registration Rights Agreement dated as of July 30, 1997, by and among the Company, A. Wilhelmsen AS., Cruise Associates, Monument Capital Corporation, Archinav Holdings, Ltd. and Overseas Cruiseship, Inc.	20-F	2.20	12/31/1997
10.2		8-K	10.1	12/7/2017

Amendment to the Credit Agreement, dated as of December 4, 2017, by and among the Company, the various financial institutions as are or shall become parties thereto and The Bank of Nova Scotia, as administrative agent for the lender parties

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Exhibit Number	Exhibit Description	Incorporated By Reference Form	Exhibit	Filing Date/ Period End Date
10.3	Amendment to the Credit Agreement, dated as of October 12, 2017, by and among the Company, the various financial institutions as are or shall become parties thereto and Nordea Bank AB (PUBL), New York branch, as administrative agent for the lender parties	8-K	10.3	10/17/2017
10.4	Amendment No. 4 to Hull No. S-697 Credit Agreement, dated as of February 2, 2016, by and between the Company, the Lenders from time to time party thereto, the Mandated Lead Arrangers and KfW IPEX-Bank GmbH, as Hermes Agent and Facility Agent	10-K	10.7	12/31/2015
10.5	Amendment No. 5 to Hull No. S-697 Credit Agreement, dated as of July 3, 2018, by and between the Company, the Lenders from time to time party thereto, the Mandated Lead Arrangers and KfW IPEX-Bank GmbH, as Hermes Agent and Facility Agent	10-Q	10.4	6/30/2018
10.6	Amendment No. 4 to Hull No. S-698 Credit Agreement, dated as of February 3, 2016, by and between the Company, the Lenders from time to time party thereto, the Mandated Lead Arrangers and KfW IPEX-Bank GmbH, as Hermes Agent and Facility Agent	10-K	10.8	12/31/2015
10.7	Amendment No. 5 to Hull No. S-698 Credit Agreement, dated as of July 3, 2018, by and between the Company, the Lenders from time to time party thereto, the Mandated Lead Arrangers and KfW IPEX-Bank GmbH, as Hermes Agent and Facility Agent	10-Q	10.5	6/30/2018
10.8	Amendment No. 1 to Hull No. S-699 Credit Agreement, dated as of March 31, 2016, by and between the Company, the Lenders from time to time party thereto, the Mandated Lead Arrangers and KfW IPEX-Bank GmbH, as Hermes Agent and Facility Agent	10-Q	10.1	3/31/2016
10.9	Amendment No. 2 to Hull No. S-699 Credit Agreement, dated as of July 3, 2018, by and between the Company, the Lenders from time to time party thereto, the Mandated Lead Arrangers and KfW IPEX-Bank GmbH, as Hermes Agent and Facility Agent	10-Q	10.6	6/30/2018
10.10	Amendment and Restatement Agreement, dated as of January 15, 2016, in respect of a Facility Agreement dated, as of July 9, 2013, by and between the Company, the Lenders from time to time party thereto, Société Générale, as Facility Agent and Mandated Lead Arranger, BNP Paribas, as Documentation Bank and Mandated Lead Arranger, and HSBC France, as Mandated Lead Arranger	10-K	10.10	12/31/2015
10.11	Hull No. B34 Credit Agreement, dated as of January 30, 2015, as novated, amended and restated on the Actual Delivery Date pursuant to a novation agreement dated January 30, 2015 (as amended),between Royal Caribbean Cruises Ltd., Citibank N.A., London Branch, Citibank Europe plc, UK Branch, and the banks and financial institutions as lender parties thereto	10-Q	10.1	3/31/2018
10.12	Hull No. S-700 Credit Agreement, dated as of November 13, 2015, by and among the Company, the Lenders from time to time party thereto and KfW IPEX-Bank GmbH, as Hermes Agent, Facility Agent and Initial Mandated Lead Arranger	8-K	10.1	11/19/2015
10.13	Amendment No. 1 to Hull No. S-700 Credit Agreement, dated as of November 13, 2015, by and among the Company, the Lenders from time to	10-Q	10.7	6/30/2018

	time party thereto and KfW IPEX-Bank GmbH, as Hermes Agent, Facility Agent and Initial Mandated Lead Arranger			
10.14	Amendment No. 2 to Hull No. S-700 Credit Agreement, dated as of July 3, 2018, by and among the Company, the Lenders from time to time party thereto and KfW IPEX-Bank GmbH, as Hermes Agent, Facility Agent and Initial Mandated Lead Arranger	10-Q	10.8	6/30/2018
10.15	Hull No. S-713 Credit Agreement, dated as of November 13, 2015, by and among the Company, the Lenders from time to time party thereto and KfW IPEX-Bank GmbH, as Hermes Agent, Facility Agent and Initial Mandated Lead Arranger.	8-K	10.2	11/19/2015

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Exhibit Number	Exhibit Description	Incorporated By Reference Form	Exhibit	Filing Date/ Period End Date
10.16	Amendment No. 1 to Hull No. S-713 Credit Agreement, dated as of September 7, 2016, by and among the Company, the Lenders from time to time party thereto and KfW IPEX-Bank GmbH, as Hermes Agent, Facility Agent and Initial Mandated Lead Arranger	10-Q	10.9	6/30/2018
10.17	Amendment No. 2 to Hull No. S-713 Credit Agreement, dated as of July 3, 2018, by and among the Company, the Lenders from time to time party thereto and KfW IPEX-Bank GmbH, as Hermes Agent,Facility Agent and Initial Mandated Lead Arranger	10-Q	10.10	6/30/2018
10.18	Hull No. J34 Credit Agreement, dated as of June 22, 2016, as novated, amended and restated on the Actual Delivery Date pursuant to a novation agreement dated June 22, 2016 (as amended), between Royal Caribbean Cruises Ltd., Citibank N.A., London Branch, Citibank Europe plc, UK Branch, and the banks and financial institutions as lender parties thereto*			
10.19	Novation Agreement, dated as of June 22, 2016, by and between Azairemia Finance Ltd., Royal Caribbean Cruises Ltd., Citibank Europe Plc, UK Branch, Citicorp Trustee Company Limited, Citibank N.A., London Branch, HSBC France, Sumitomo Mitsui Banking Corporation Europe Limited, Paris Branch and the banks and financial institutions as lender parties thereto	8-K	10.2	6/28/2016
10.20	First Supplemental Agreement, dated as of October 5, 2018, relating to Hull No. K34 and the Novation Agreement, dated as of June 22, 2016, by and between Azairemia Finance Ltd., Royal Caribbean Cruises Ltd., Citibank Europe Plc, UK Branch, Citicorp Trustee Company Limited, Citibank N.A., London Branch, HSBC France, Sumitomo Mitsui Banking Corporation Europe Limited, Paris Branch, and the banks and financial institutions as lender parties thereto*			
10.21	Novation Agreement, dated as of July 24, 2017, between Hibisyeu Finance Ltd., Royal Caribbean Cruises Ltd., Citibank Europe Plc, UK Branch, Citicorp Trustee Company Limited, Citibank N.A., London Branch, HSBC France, Sumitomo Mitsui Banking Corporation Europe Limited, Paris Branch and the banks and financial institutions as lender parties thereto	8-K	10.1	7/28/2017
10.22	Novation Agreement, dated as of July 24, 2017, between Hoediscus Finance Ltd., Royal Caribbean Cruises Ltd., Citibank Europe Plc, UK Branch, Citicorp Trustee Company Limited, Citibank N.A., London Branch, HSBC France, Sumitomo Mitsui Banking Corporation Europe Limited, Paris Branch and the banks and financial institutions as lender parties thereto	8-K	10.2	7/28/2017
10.23	Novation Agreement, dated as of July 24, 2017, between Houatorris Finance Ltd., Royal Caribbean Cruises Ltd., Citibank Europe Plc, UK Branch, Citicorp Trustee Company Limited, Citibank N.A., London Branch, HSBC France, Sumitomo Mitsui Banking Corporation Europe Limited, Paris Branch and the banks and financial institutions as lender parties thereto	8-K	10.3	7/28/2017
10.24	Icon 1 Hull No. S-1400 Credit Agreement, dated as of October 11, 2017, between Royal Caribbean Cruises Ltd., as the Borrower, the Lenders from time to time party thereto, KfW IPEX-Bank GmbH, as Hermes Agent, Facility Agent, Documentation Agent and Initial Mandated Lead Arranger	8-K	10.1	10/17/2017

	and BNP Paribas Fortis SA/NV as Finnvera Agent			
10.25	Amendment No. 1 to Icon 1 Hull No. S-1400 Credit Agreement, dated as of July 3, 2018, between Royal Caribbean Cruises Ltd., as the Borrower, the Lenders from time to time party thereto, KfW IPEX-Bank GmbH, as Hermes Agent, Facility Agent, Documentation Agent and Initial Mandated Lead Arranger and BNP Paribas Fortis SA/NV as Finnvera Agent	10-Q	10.11	6/30/2018
10.26	Icon 2 Hull No. S-1401 Credit Agreement, dated as of October 11, 2017, between Royal Caribbean Cruises Ltd., as the Borrower, the Lenders from time to time party thereto, KfW IPEX-Bank GmbH, as Hermes Agent, Facility Agent, Documentation Agent and Initial Mandated Lead Arranger and BNP Paribas Fortis SA/NV as Finnvera Agent	8-K	10.2	10/17/2017

Exhibit Number	Exhibit Description	Incorporated By Reference Form	Exhibit	Filing Date/ Period End Date
10.27	Amendment No. 1 to Icon 2 Hull No. S-1401 Credit Agreement, dated as of July 3, 2018, between Royal Caribbean Cruises Ltd., as the Borrower, the Lenders from time to time party thereto, KfW IPEX-Bank GmbH, as Hermes Agent, Facility Agent, Documentation Agent and Initial Mandated Lead Arranger and BNP Paribas Fortis SA/NV as Finnvera Agent	10-Q	10.12	6/30/2018
10.28	Loan Agreement, dated as of June 29, 2018, among Royal Caribbean Cruises Ltd., as the Borrower, the Lenders from time to time party thereto, and JP Morgan Chase Bank, N.A. as Administrative Agent and Bank of America, N.A., Citigroup Global Markets Limited, Goldman Sachs Bank USA and Morgan Stanley Senior Funding,Inc. as Co-Syndication Agents	8-K	10.1	7/5/2018
10.29	Commercial Paper Dealer Agreement, dated June 14, 2018, between Royal Caribbean Cruises Ltd., as issuer, and the dealer party thereto	8-K	10.1	6/18/2018
10.30	Royal Caribbean Cruises Ltd. 2008 Equity Incentive Plan (as amended)	10-K	10.17	12/31/2016
10.31	Form of 2008 Equity Incentive Plan Stock Option Award Agreement—Incentive Options	10-Q	10.3	9/30/2008
10.32	Form of 2008 Equity Incentive Plan Stock Option Award Agreement—Nonqualified Options	10-Q	10.4	9/30/2008
10.33	Form of 2008 Equity Incentive Plan Restricted Stock Unit Agreement—Executive Officer Grants	10-K	10.23	12/31/2013
10.34	Form of 2008 Equity Incentive Plan Restricted Stock Unit Agreement—Executive Officer Grants (Non-Vesting Into Retirement)	10-Q	10.7	9/30/2017
10.35	Form of 2008 Equity Incentive Plan Restricted Stock Unit Agreement—Director Grants	10-K	10.31	12/31/2010
10.36	Form of 2008 Equity Incentive Plan Performance Shares Agreement	10-K	10.27	12/31/2014
10.37	Form of 2008 Equity Incentive Plan Performance-Based Restricted Shares Agreement	10-K	10.26	12/31/2015
10.38	Employment Agreement, dated as of December 31, 2012, by and between the Company and Richard D. Fain	10-K	10.22	12/31/2012
10.39	Employment Agreement, dated as of May 20, 2013, by and between the Company and Jason T. Liberty	10-Q	10.2	6/30/2013
10.40	Employment Agreement, dated as of July 16, 2015, by and between the Company and Michael W. Bayley	10-Q	10.3	6/30/2015
10.41	Form of First Amendment to Employment Agreement, dated as of February 6, 2015 (entered into between the Company and each of Messrs. Fain and Liberty)	10-K	10.33	12/31/2014
10.42	Employment Agreement dated as of August 3, 2015, by and between Celebrity Cruises Inc. and Lisa Lutoff-Perlo	10-K	10.31	12/31/2016
10.43	Royal Caribbean Cruises Ltd. Executive Short-Term Bonus Plan	10-Q	10.4	6/30/2015
10.44	Royal Caribbean Cruises Ltd. Supplemental Executive Retirement Plan	8-K	10.3	12/8/2005
10.45	Amendment to Royal Caribbean Cruises Ltd. Supplemental Executive Retirement Plan	10-K	10.31	12/31/2006
10.46	Amendment to Royal Caribbean Cruises Ltd. Supplemental Executive Retirement Plan	10-K	10.31	12/31/2007
10.47	Amendment to Royal Caribbean Cruises Ltd. Supplemental Executive Retirement Plan	10-Q	10.1	9/30/2008

10.48	Amendment to Royal Caribbean Cruises Ltd. Supplemental Executive Retirement Plan	10-K	10.38	12/31/2008
10.49	Cruise Policy for Members of the Board of Directors of the Company	10-K	10.35	12/31/2013
18.1	Preferability Letter Regarding Change in Accounting Principle*			
21.1	List of Subsidiaries*			

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Exhibit Number	Exhibit Description	Incorporated By Reference Form	Exhibit	Filing Date/ Period End Date
23.1	Consent of PricewaterhouseCoopers LLP, an independent registered public accounting firm*			
23.2	Consent of Drinker Biddle & Reath LLP*			
24.1	Power of Attorney*			
31.1	Certification of Richard D. Fain required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934*			
31.2	Certification of Jason T. Liberty required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934*			
32.1	Certification of Richard D. Fain and Jason T. Liberty pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code**			

*Filed herewith
**Furnished herewith
Interactive Data File

101 The following financial statements from Royal Caribbean Cruises Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2018 formatted in XBRL are as follows:

(i) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2018, 2017 and 2016;
(ii) the Consolidated Balance Sheets at December 31, 2018 and 2017;
(iii) the Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016;
(iv) the Consolidated Statements of Shareholders' Equity for the years ended December 31, 2018, 2017 and 2016; and
(v) the Notes to the Consolidated Financial Statements, tagged in summary and detail.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

ROYAL CARIBBEAN CRUISES LTD.
(Registrant)
By: /s/ JASON T. LIBERTY
Jason T. Liberty Executive Vice President, Chief Financial Officer
(Principal Financial Officer and duly authorized signatory)

February 22, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 22, 2019.

/s/ RICHARD D. FAIN
Richard D. Fain
Director, Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ JASON T. LIBERTY
Jason T. Liberty
Executive Vice President, Chief Financial Officer

(Principal Financial Officer)

/s/ HENRY L. PUJOL
Henry L. Pujol
Senior Vice President, Chief Accounting Officer (Principal Accounting Officer)

*
John F. Brock
Director

*
Stephen R. Howe Jr.
Director

*
William L. Kimsey
Director

*
Maritza G. Montiel
Director

*
Ann S. Moore
Director

*
Eyal M. Ofer
Director

*
Thomas J. Pritzker
Director

*
William K. Reilly
Director

*
Bernt Reitan
Director

*
Vagn O. Sørensen
Director

*
Donald Thompson
Director

*

Arne Alexander Wilhelmsen
Director
*By:/s/ JASON T. LIBERTY
Jason T. Liberty, as Attorney-in-Fact

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ROYAL CARIBBEAN CRUISES LTD.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm
To the Board of Directors and Shareholders
of Royal Caribbean Cruises Ltd.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Royal Caribbean Cruises Ltd. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for stock-based compensation expense in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded Silversea Cruises from its assessment of internal control over financial reporting as of December 31, 2018 because it was acquired by the Company in a purchase business combination during 2018. We have also excluded Silversea Cruises from our audit of internal control over financial reporting. Silversea Cruises is a majority-owned subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 5.0% and 1.4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2018.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Miami, Florida
February 22, 2019

We have served as the Company's auditor since at least 1989, which includes periods before the Company became subject to SEC reporting requirements. We have not been able to determine the specific year we began serving as auditor of the Company.

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ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
	2018	2017	2016
	(in thousands, except per share data)		
Passenger ticket revenues	$6,792,716	$6,313,170	$6,149,323
Onboard and other revenues	2,701,133	2,464,675	2,347,078
Total revenues	9,493,849	8,777,845	8,496,401
Cruise operating expenses:			
Commissions, transportation and other	1,433,739	1,363,170	1,349,677
Onboard and other	537,355	495,552	493,558
Payroll and related	924,985	852,990	882,891
Food	520,909	492,857	485,673
Fuel	710,617	681,118	713,676
Other operating	1,134,602	1,010,892	1,090,064
Total cruise operating expenses	5,262,207	4,896,579	5,015,539
Marketing, selling and administrative expenses	1,303,144	1,186,016	1,108,742
Depreciation and amortization expenses	1,033,697	951,194	894,915
Operating Income	1,894,801	1,744,056	1,477,205
Other income (expense):			
Interest income	32,800	30,101	20,856
Interest expense, net of interest capitalized	(333,672)	(299,982)	(307,370)
Equity investment income	210,756	156,247	128,350
Other income (expense) (1)	11,107	(5,289)	(35,653)
	(79,009)	(118,923)	(193,817)
Net Income	1,815,792	1,625,133	1,283,388
Less: Net Income attributable to noncontrolling interest	4,750	—	—
Net Income attributable to Royal Caribbean Cruises Ltd.	$1,811,042	$1,625,133	$1,283,388
Earnings per Share:			
Basic	$8.60	$7.57	$5.96
Diluted	$8.56	$7.53	$5.93
Comprehensive Income (Loss)			
Net Income	$1,815,792	$1,625,133	$1,283,388
Other comprehensive income (loss):			
Foreign currency translation adjustments	(14,251)	17,307	2,362
Change in defined benefit plans	7,643	(5,583)	(1,636)
(Loss) gain on cash flow derivative hedges	(286,861)	570,495	411,223
Total other comprehensive (loss) income	(293,469)	582,219	411,949
Comprehensive Income	$1,522,323	$2,207,352	$1,695,337
Less: Comprehensive Income attributable to noncontrolling interest	4,750	—	—
Comprehensive Income attributable to Royal Caribbean Cruises Ltd.	$1,517,573	$2,207,352	$1,695,337

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(1) For the year ended December 31, 2016, Other income (expense) included a $21.7 million loss related to the 2016 elimination of the Pullmantur reporting lag.

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

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ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2018	2017
	(in thousands, except share data)	
Assets		
Current assets		
Cash and cash equivalents	$287,852	$120,112
Trade and other receivables, net	324,507	318,641
Inventories	153,573	111,393
Prepaid expenses and other assets	456,547	258,171
Derivative financial instruments	19,565	99,320
Total current assets	1,242,044	907,637
Property and equipment, net	23,466,163	19,735,180
Goodwill	1,378,353	288,512
Other assets	1,611,710	1,429,597
Total assets	$27,698,270	$22,360,926
Liabilities, redeemable noncontrolling interest and shareholders' equity		
Current liabilities		
Current portion of long-term debt	$1,646,841	$1,188,514
Commercial paper	775,488	—
Accounts payable	488,212	360,113
Accrued interest	74,550	47,469
Accrued expenses and other liabilities	899,761	903,022
Derivative financial instruments	78,476	47,464
Customer deposits	3,148,837	2,308,291
Total current liabilities	7,112,165	4,854,873
Long-term debt	8,355,370	6,350,937
Other long-term liabilities	583,254	452,813
Total liabilities	16,050,789	11,658,623
Commitments and contingencies (Note 18)		
Redeemable noncontrolling interest	542,020	—
Shareholders' equity		
Preferred stock ($0.01 par value; 20,000,000 shares authorized; none outstanding)	—	—
Common stock ($0.01 par value; 500,000,000 shares authorized; 235,847,683 and 235,198,901 shares issued, December 31, 2018 and December 31, 2017, respectively)	2,358	2,352
Paid-in capital	3,420,900	3,390,117
Retained earnings	10,263,282	9,022,405
Accumulated other comprehensive loss	(627,734)	(334,265)
Treasury stock (26,830,765 and 21,861,308 common shares at cost, December 31, 2018 and December 31, 2017, respectively)	(1,953,345)	(1,378,306)
Total shareholders' equity	11,105,461	10,702,303
Total liabilities, redeemable noncontrolling interest and shareholders’ equity	$27,698,270	$22,360,926

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

ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2018	2017	2016
Operating Activities			
Net Income	$1,815,792	$1,625,133	$1,283,388
Adjustments:			
Depreciation and amortization	1,033,697	951,194	894,915
Impairment losses	33,651	—	—
Net deferred income tax (benefit) expense	(2,679)	1,730	2,608
Loss (gain) on derivative instruments not designated as hedges	61,148	(61,704)	45,670
Share-based compensation expense	46,061	69,459	32,659
Equity investment income	(210,756)	(156,247)	(128,350)
Amortization of debt issuance costs	41,978	45,943	52,795
Gain on sale of property and equipment	—	(30,902)	—
Gain on sale of unconsolidated affiliate	(13,680)	—	—
Recognition of deferred gain	(21,794)	—	—
Changes in operating assets and liabilities:			
(Increase) decrease in trade and other receivables, net	(9,573)	(32,043)	4,759
(Increase) decrease in inventories	(23,849)	2,424	(1,679)
(Increase) decrease in prepaid expenses and other assets	(71,770)	20,859	11,519
Increase in accounts payable	91,737	36,780	29,564
Increase in accrued interest	18,773	1,303	7,841
Increase in accrued expenses and other liabilities	42,937	34,215	20,718
Increase in customer deposits	385,990	274,705	188,632
Dividends received from unconsolidated affiliates	243,101	109,677	75,942
Other, net	18,375	(17,960)	(4,291)
Net cash provided by operating activities	3,479,139	2,874,566	2,516,690
Investing Activities			
Purchases of property and equipment	(3,660,028)	(564,138)	(2,494,363)
Cash received on settlement of derivative financial instruments	76,529	63,224	110,637
Cash paid on settlement of derivative financial instruments	(98,074)	—	(323,839)
Investments in and loans to unconsolidated affiliates	(27,172)	(10,396)	(9,155)
Cash received on loans to unconsolidated affiliates	124,238	62,303	38,213
Proceeds from the sale of property and equipment	—	230,000	—
Proceeds from the sale of unconsolidated affiliate	13,215	—	—
Acquisition of Silversea Cruises, net of cash acquired	(916,135)	—	—
Other, net [(1)]	(1,731)	5,415	(46,385)
Net cash used in investing activities	(4,489,158)	(213,592)	(2,724,892)
Financing Activities			
Debt proceeds	8,590,740	5,866,966	7,338,560
Debt issuance costs	(81,959)	(51,590)	(88,241)
Repayments of debt	(6,963,511)	(7,835,087)	(6,365,570)
Proceeds from issuance of commercial paper notes	4,730,286	—	—
Repayments of commercial paper notes	(3,965,450)	—	—

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

ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

	Year Ended December 31,		
	2018	2017	2016
Purchase of treasury stock	(575,039)	(224,998)	(299,960)
Dividends paid	(527,494)	(437,455)	(346,487)
Proceeds from exercise of common stock options	4,264	2,525	2,258
Other, net	(13,764)	3,843	3,249
Net cash provided by (used in) financing activities	1,198,073	(2,675,796)	243,809
Effect of exchange rate changes on cash	(20,314)	2,331	(24,569)
Net increase (decrease) in cash and cash equivalents	167,740	(12,491)	11,038
Cash and cash equivalents at beginning of year	120,112	132,603	121,565
Cash and cash equivalents at end of year	$287,852	$120,112	$132,603
Supplemental Disclosures			
Cash paid during the year for:			
Interest, net of amount capitalized	$252,466	$249,615	$256,775
Non-Cash Investing Activities			
Contingent consideration for the acquisition of Silversea Cruises	$44,000	$—	$—
Purchases of property and equipment included in accounts payable and accrued expenses and other liabilities	$—	$139,644	$—
Notes receivable issued upon sale of property and equipment	$—	$20,409	$213,042

(1) Amount includes $26.0 million in 2016 related to cash included in the divestiture of Pullmantur Holdings.

The accompanying notes are an integral part of these consolidated financial statements.
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ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	(in thousands)					
Balances at January 1, 2016	$2,339	$3,297,619	$6,944,862	$(1,328,433)	$(853,348)	$8,063,039
Activity related to employee stock plans	7	30,898	—	—	—	30,905
Common stock dividends, $1.71 per share	—	—	(367,909)	—	—	(367,909)
Changes related to cash flow derivative hedges	—	—	—	411,223	—	411,223
Change in defined benefit plans	—	—	—	(1,636)	—	(1,636)
Foreign currency translation adjustments	—	—	—	2,362	—	2,362
Purchase of treasury stock	—	—	—	—	(299,960)	(299,960)
Net Income attributable to Royal Caribbean Cruises Ltd.	—	—	1,283,388	—	—	1,283,388
Balances at December 31, 2016	2,346	3,328,517	7,860,341	(916,484)	(1,153,308)	9,121,412
Activity related to employee stock plans	6	61,600	—	—	—	61,606
Common stock dividends, $2.16 per share	—	—	(463,069)	—	—	(463,069)
Changes related to cash flow derivative hedges	—	—	—	570,495	—	570,495
Change in defined benefit plans	—	—	—	(5,583)	—	(5,583)
Foreign currency translation adjustments	—	—	—			