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

For the fiscal year ended December 31, 2016

ROYAL CARIBBEAN CRUISES LTD.
(Exact name of registrant as specified in its charter)

Republic of Liberia 98-0081645
(State or other jurisdiction of incorporation or organization) (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)

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

<table>
<thead>
<tr>
<th>Title of each class</th>
<th>Name of each exchange on which registered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock, par value $.01 per share</td>
<td>New York Stock Exchange</td>
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</tbody>
</table>

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

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 ☐ No ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's common stock at June 30, 2016 (based upon the closing sale price of the common stock on the New York Stock Exchange on June 30, 2016) held by those persons deemed by the registrant to be non-affiliates was approximately $12.1 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, 2016 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 214,803,837 shares of common stock outstanding as of February 9, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement relating to its 2017 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,” and “Azamara Club Cruises” refer to our wholly-owned global cruise brands. Throughout this report, 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 own and operate three global cruise brands: Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises (our "Global Brands"). We also own a 50% joint venture interest in the German brand TUI Cruises, a 49% interest in the Spanish brand Pullmantur and a minority interest in the Chinese brand SkySea Cruises (collectively, our "Partner Brands"). Together, our Global Brands and our Partner Brands operate a combined total of 49 ships in the cruise vacation industry with an aggregate capacity of approximately 123,270 berths as of December 31, 2016.

Our ships operate on a selection of worldwide itineraries that call on approximately 535 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 establishing 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 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, 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 and Azamara Club 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 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 brands as a single business with the ultimate objective of maximizing long-term shareholder value.

Royal Caribbean International

Royal Caribbean International is positioned at the upper end of the contemporary segment of the cruise vacation industry, generally characterized by cruises that are seven nights or shorter and feature a casual ambiance as well as a variety of activities and entertainment venues. The brand appeals to families with children of all ages, as well as both older and younger couples. We believe that the quality of the Royal Caribbean International brand also enables it to attract guests from the premium segment allowing Royal Caribbean International 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 that range from two to 24 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.

We currently operate 25 ships with an aggregate capacity of approximately 78,150 berths under our Royal Caribbean International brand. This count includes our two newest ships, the 5,450 berth Harmony of the Seas and the 4,100 berth Ovation of the Seas, which entered our fleet in May and April of 2016, respectively.

We have four ships on order with an aggregate capacity of approximately 19,200 berths. These ships include 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, and the fourth and fifth Oasis-class ships, which are scheduled to enter service in the first quarter of 2018 and second quarter of 2021, respectively. Additionally, we signed a memorandum of understanding to build two new ships of a new generation of ships, known as "Project Icon," which are expected to enter service in the second quarters of 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 "Modern Luxury" experience that includes a destination-rich experience, upscale ships that offer, among other things, luxurious accommodations, a high staff-to-guest ratio, fine dining, personalized service and extensive spa facilities. Celebrity Cruises offers a variety of itineraries to popular destinations, including Alaska, Asia, Australia, Bermuda, Canada, the Caribbean, Europe, the Galapagos, Hawaii, New Zealand, the Panama Canal and South America with cruise lengths that range from two to 18 nights.

We currently operate 12 ships with an aggregate capacity of approximately 23,170 berths under our Celebrity Cruises brand. Additionally, we have four ships of a new generation, known as "Project Edge," on order with an aggregate capacity of approximately 11,600 berths which are expected to enter service in the fourth quarter of 2018, the first quarter of 2020 and the fourth quarters of 2021 and 2022, respectively.

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, higher prices and exotic itineraries. Azamara Club Cruises’ strategy is to deliver distinctive destination experiences through unique itineraries with more overnight stays 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, Central and North America and the less-
traveled islands of the Caribbean. We currently operate two ships with an aggregate capacity of approximately 1,400 berths under our Azamara Club Cruises brand, offering cruise itineraries that range from three to 21 nights.

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, our 49% interest in the Spanish brand Pullmantur, which is primarily focused on the cruise market in Spain and a minority interest in SkySea Cruises specifically tailored for the Chinese market. 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 6. 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 and shipping 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 five ships, with an aggregate capacity of approximately 11,300 berths. In addition, TUI Cruises currently has three newbuild ships on order which are scheduled for delivery in the second quarters of 2017 and 2018 and the first quarter of 2019, respectively. TUI Cruises plans to offset this additional capacity through the planned transfer of the their first two ships, Mein Schiff 1 and Mein Schiff 2, to Thomson Cruises, an affiliate of TUI AG, in 2018 and 2019, respectively.

Pullmantur

Prior to August 2016, Pullmantur Holdings S.L. ("Pullmantur Holdings"), the parent company of the Pullmantur brand (formerly known as Royal Caribbean Holdings de España S.L. or "RCHE"), was wholly owned by us. Effective July 31, 2016, we sold 51% of our interest in Pullmantur Holdings. We retain a 49% interest in Pullmantur Holdings as well as full ownership of the four vessels currently operated by the Pullmantur brand under bareboat charter arrangements. Refer to Note 1. General to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information on the sale transaction.

Pullmantur operates in the contemporary segment of the Spanish cruise market and is designed to attract Spanish-speaking families and couples and includes a Spanish-speaking crew as well as tailored food and entertainment options. Pullmantur currently operates four ships with an aggregate capacity of approximately 7,450 berths. Pullmantur Holdings also previously operated the small French regional brand CDF Croisières de France.

SkySea Cruises

We have a strategic partnership with Ctrip.com International Ltd. ("Ctrip"), a Chinese travel service provider, to operate the cruise brand known as SkySea Cruises. We and Ctrip each own 35% of the venture, with the remaining equity held by the venture's management and a private equity fund. SkySea Cruises commenced operations during the second quarter of 2015 and operates one ship, SkySea Golden Era, which it purchased from us in 2014. SkySea Cruises offers a custom-tailored product for Chinese cruise guests. All onboard activities, services, shore excursions and menu offerings are designed to suit the preferences of this target market.

Industry

Cruising is considered a well-established vacation sector in the North American and European markets and a developing but promising 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.

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:

<table>
<thead>
<tr>
<th>Year</th>
<th>North America (1)(2)</th>
<th>Europe (1)(3)</th>
<th>Asia/Pacific (1)(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3.33%</td>
<td>1.21%</td>
<td>0.04%</td>
</tr>
<tr>
<td>2013</td>
<td>3.32%</td>
<td>1.24%</td>
<td>0.05%</td>
</tr>
<tr>
<td>2014</td>
<td>3.46%</td>
<td>1.23%</td>
<td>0.06%</td>
</tr>
<tr>
<td>2015</td>
<td>3.36%</td>
<td>1.25%</td>
<td>0.08%</td>
</tr>
<tr>
<td>2016</td>
<td>3.49%</td>
<td>1.24%</td>
<td>0.09%</td>
</tr>
</tbody>
</table>

(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.
(2) Our estimates include the United States and Canada.
(3) Our estimates include European countries relevant to the industry (e.g., Nordics, Germany, France, Italy, Spain and the United Kingdom).
(4) Our estimates include the Southeast Asia (e.g., Singapore, Thailand and the Philippines), East Asia (e.g., China and Japan), South Asia (e.g. India and Pakistan) and Oceanian (e.g., Australia and Fiji Islands) regions.

We estimate that the global cruise fleet was served by approximately 503,000 berths on approximately 298 ships at the end of 2016. There are approximately 60 ships with an estimated 173,000 berths that are expected to be placed in service in the global cruise market between 2017 and 2021, although it is also possible that additional ships could be ordered or taken out of service during these periods. We estimate that the global cruise industry carried 24.0 million cruise guests in 2016 compared to 23.0 million cruise guests carried in 2015 and 22.0 million cruise guests carried in 2014.
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):

<table>
<thead>
<tr>
<th>Year</th>
<th>Weighted-Average Supply of Berths Marketed Globally (1)</th>
<th>Royal Caribbean Cruises Ltd. Total Berths (2)</th>
<th>Global Cruise Guests (1)</th>
<th>North American Cruise Guests (1)(3)</th>
<th>European Cruise Guests (1)(4)</th>
<th>Asia/Pacific Cruise Guests (1)(5)</th>
</tr>
</thead>
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<tr>
<td>2012</td>
<td>425,000</td>
<td>98,650</td>
<td>20,813</td>
<td>11,641</td>
<td>6,225</td>
<td>1,474</td>
</tr>
<tr>
<td>2013</td>
<td>432,000</td>
<td>98,750</td>
<td>21,343</td>
<td>11,710</td>
<td>6,430</td>
<td>2,045</td>
</tr>
<tr>
<td>2014</td>
<td>448,000</td>
<td>105,750</td>
<td>22,039</td>
<td>12,269</td>
<td>6,387</td>
<td>2,382</td>
</tr>
<tr>
<td>2015</td>
<td>469,000</td>
<td>112,700</td>
<td>23,000</td>
<td>12,004</td>
<td>6,587</td>
<td>3,129</td>
</tr>
<tr>
<td>2016</td>
<td>493,000</td>
<td>123,270</td>
<td>24,000</td>
<td>12,581</td>
<td>6,542</td>
<td>3,636</td>
</tr>
</tbody>
</table>

(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 statistical 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.

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

(5) Our estimates include the Southeast Asia (e.g., Singapore, Thailand and the Philippines), East Asia (e.g., China and Japan), South Asia (e.g., India and Pakistan) and Oceanian (e.g., Australia and Fiji Islands) regions.

**North America**

The majority of industry cruise guests are sourced from North America, which represented approximately 52% of global cruise guests in 2016. The compound annual growth rate in cruise guests sourced from this market was approximately 2% from 2012 to 2016.

**Europe**

Industry cruise guests sourced from Europe represented approximately 27% of global cruise guests in 2016. The compound annual growth rate in cruise guests sourced from this market was approximately 1% from 2012 to 2016.

**Asia/Pacific**

Industry cruise guests sourced from the Asia/Pacific region represented approximately 15% of global cruise guests in 2016. The compound annual growth rate in cruise guests sourced from this market was approximately 25% from 2012 to 2016. The Asia/Pacific region is experiencing the highest growth rate of the major regions, although it will continue to represent 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 compete with
other vacation alternatives such as land-based resort hotels, internet-based alternative lodging sites and sightseeing destinations for consumers’ leisure time. Demand 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 and 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,

• further 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 across each brand, 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 safety, environment and health of our guests, employees and others working on our behalf. We are also committed to protecting 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 in accordance with the guidelines of the Global Reporting Initiative. 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. Our corporate website also provides information about our 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 deep 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 our 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 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 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 traditional media, mobile and digital media, as well as social media and influencers, brand websites and travel agencies. 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 and Azamara Club Cruises, to guests outside of the United States and Canada through our offices in the United Kingdom, France, Germany, Norway, Italy, Spain, Singapore, China, 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 61 independent international representatives located throughout the world covering 113 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 45% of total passenger ticket revenues in 2016 and 45% and 47% in 2015 and 2014, respectively. International guests have grown from approximately 2.2 million in 2012 to approximately 2.7 million in 2016. 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 continue our commitment to identify and implement cost containment initiatives. In 2016, we implemented initiatives, such as the closing of one of our international offices and personnel reorganization in our corporate offices, aimed at improving operating efficiencies and economies of scale. We will continue to focus on and evaluate cost containment initiatives in 2017.

We also continue our 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 25% improvement in energy efficiency from 2005 through 2015 and we believe that our energy consumption per guest is currently the lowest in the cruise industry.

We are focused on maintaining a strong liquidity position, reducing our debt and improving our credit metrics. In addition, we continue to pursue our objective of returning our credit ratings to investment grade. We believe these strategies enhance our ability to achieve our overall goal of maximizing our return on invested capital and 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. Several of these innovations have become signature elements of our brands, such as the “Royal Promenade” (a boulevard with shopping, dining and entertainment venues) for the Royal Caribbean International brand and enhanced design features found on our Solstice-class ships for the Celebrity Cruises brand.

Our upgrade and maintenance programs enable us to incorporate many of our latest signature innovations throughout the brand fleet and allow us to benefit from economies of scale by leveraging our suppliers. Ensuring consistency across our fleet provides us with the flexibility to redeploy our ships among our brand portfolio.

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 new vessels traditionally generate higher revenue yield premiums and are more efficient to operate than existing vessels.

Our Global Brands currently have nine ships expected to be delivered between 2018 and the end of 2022. These consist of two Quantum-class ships, which are scheduled to enter service in the second quarter of 2019 and fourth quarter of 2020, respectively, two Oasis-class ships, which are scheduled to enter service in the first quarter of 2018 and second quarter of 2021, respectively, four ships of a new generation for Celebrity Cruises, which are scheduled to enter service in the fourth quarter of 2018, the first quarter of 2020 and the fourth quarters of 2021 and 2022, respectively, and the first of two ships of a new generation for Royal Caribbean International, which is scheduled to enter service in the second quarter of 2022. The addition of these ships, net of Legend of the Seas departing the fleet in 2017, is expected to increase passenger capacity of our Global Brands by approximately 34,000 berths by the end of 2022, which represents an estimated compound annual growth rate of 4.4% from 2016 to December 31, 2022. Additionally, TUI Cruises, our 50% joint venture, currently has agreements for the construction of three new ships. These ships are scheduled to enter service in the second quarters of 2017 and 2018 and the first quarter of 2019, respectively, with an expected total capacity of 8,200 berths.

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.

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 optimally deploy ships to new and stronger markets and itineraries throughout the world. The portability of our ships allows us to readily 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 has 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 approximately 535 destinations in 105 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. Additionally, 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. 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 last few years, we introduced RFID WOW bands on some of our ships to make many onboard processes easier and more comfortable for our guests. Moreover, as the use of our various websites and social media platforms continue to increase along with the use of technology onboard our ships by both our guests and crew, we continually need to upgrade our systems, infrastructure and technologies to facilitate this growth. For instance, in 2016, we continued to advance our onboard technology in areas such as internet connectivity at sea, guest check-in and dining. Additionally, we have introduced and continue to improve our mobile-friendly websites for our travel partners and direct customers and to invest in mobile apps that enhance the guest experience onboard our ships. Cyber security and data privacy are a continued focus and we have made and will continue to make significant investments to protect our customer data, intellectual property and global operations.

Additionally, as we expand into new markets, we must ensure that we have the proper technology in place to support the market. For instance, our capabilities need to adapt to each of our markets' languages and regulations. As we expand our business, this has been an increased focus for us.

Travel agency support and direct business

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 heavily 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.
To support our sales initiatives, we have established a Consumer Outreach department which allows consumers 24-hour access to our vacation planners, group 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, as well as encourage guests to book their next cruise vacations 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 and Azamara Club Cruises offer rewards to their guests through their loyalty programs, Crown & Anchor Society, Captain’s Club and Le Club Voyage, respectively, to encourage repeat business. Crown & Anchor Society has approximately 10.4 million members worldwide. Captain’s Club and Le Club Voyage have 3.4 million members combined worldwide. Members earn 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 certain tiers of membership benefits which can be redeemed by guests after accumulating 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.

**Operations**

* Cruise Ships and Itineraries

As of December 31, 2016, our Global Brands and Partner Brands collectively operated 49 ships with a selection of worldwide itineraries ranging from two to 24 nights that call on approximately 535 destinations.
The following table presents summary information concerning the ships we will operate in 2017 under our Global Brands and Partner Brands and their geographic areas of operation based on current 2017 itineraries (subject to change).

<table>
<thead>
<tr>
<th>Ship</th>
<th>Year Built</th>
<th>Year Entered Service (1)</th>
<th>Approximate Berths</th>
<th>Primary Areas of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal Caribbean International</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harmony of the Seas</td>
<td>2016</td>
<td>2016</td>
<td>5,450</td>
<td>Eastern/Western Caribbean</td>
</tr>
<tr>
<td>Ovation of the Seas</td>
<td>2016</td>
<td>2016</td>
<td>4,100</td>
<td>Eastern Asia, Australia/New Zealand</td>
</tr>
<tr>
<td>Anthem of the Seas</td>
<td>2015</td>
<td>2015</td>
<td>4,150</td>
<td>Bermuda, Canada, Eastern/Western/Southern Caribbean</td>
</tr>
<tr>
<td>Quantum of the Seas</td>
<td>2014</td>
<td>2014</td>
<td>4,150</td>
<td>Eastern Asia</td>
</tr>
<tr>
<td>Allure of the Seas</td>
<td>2010</td>
<td>2010</td>
<td>5,450</td>
<td>Eastern/Western Caribbean</td>
</tr>
<tr>
<td>Oasis of the Seas</td>
<td>2009</td>
<td>2009</td>
<td>5,450</td>
<td>Eastern/Western Caribbean</td>
</tr>
<tr>
<td>Independence of the Seas</td>
<td>2008</td>
<td>2008</td>
<td>3,600</td>
<td>Northern Europe, Mediterranean, Western Caribbean</td>
</tr>
<tr>
<td>Liberty of the Seas</td>
<td>2007</td>
<td>2007</td>
<td>3,750</td>
<td>Western Caribbean</td>
</tr>
<tr>
<td>Freedom of the Seas</td>
<td>2006</td>
<td>2006</td>
<td>3,750</td>
<td>Eastern/Western Caribbean, Mediterranean</td>
</tr>
<tr>
<td>Jewel of the Seas</td>
<td>2004</td>
<td>2004</td>
<td>2,150</td>
<td>Mediterranean, Southern Caribbean</td>
</tr>
<tr>
<td>Mariner of the Seas</td>
<td>2003</td>
<td>2003</td>
<td>3,100</td>
<td>Eastern Asia and Southeastern Asia</td>
</tr>
<tr>
<td>Serenade of the Seas</td>
<td>2003</td>
<td>2003</td>
<td>2,100</td>
<td>Southern Caribbean, Northern Europe, Canada</td>
</tr>
<tr>
<td>Navigator of the Seas</td>
<td>2002</td>
<td>2002</td>
<td>3,250</td>
<td>Northern Europe, Southern/Western Caribbean, Mediterranean</td>
</tr>
<tr>
<td>Brilliance of the Seas</td>
<td>2002</td>
<td>2002</td>
<td>2,100</td>
<td>Mediterranean, Western Caribbean</td>
</tr>
<tr>
<td>Adventure of the Seas</td>
<td>2001</td>
<td>2001</td>
<td>3,100</td>
<td>Southern Caribbean</td>
</tr>
<tr>
<td>Radiance of the Seas</td>
<td>2001</td>
<td>2001</td>
<td>2,100</td>
<td>Alaska, Australia/New Zealand</td>
</tr>
<tr>
<td>Explorer of the Seas</td>
<td>2000</td>
<td>2000</td>
<td>3,250</td>
<td>Alaska, Australia/New Zealand</td>
</tr>
<tr>
<td>Voyager of the Seas</td>
<td>1999</td>
<td>1999</td>
<td>3,250</td>
<td>Eastern Asia, Australia/New Zealand</td>
</tr>
<tr>
<td>Vision of the Seas</td>
<td>1998</td>
<td>1998</td>
<td>2,000</td>
<td>Northern Europe, Canada, Western Caribbean</td>
</tr>
<tr>
<td>Enchantment of the Seas</td>
<td>1997</td>
<td>1997</td>
<td>2,250</td>
<td>Bahamas</td>
</tr>
<tr>
<td>Rhapsody of the Seas</td>
<td>1997</td>
<td>1997</td>
<td>2,000</td>
<td>Mediterranean, Western Caribbean</td>
</tr>
<tr>
<td>Grandeur of the Seas</td>
<td>1996</td>
<td>1996</td>
<td>1,950</td>
<td>Southern/Eastern/Western Caribbean, Bermuda, Bahamas</td>
</tr>
<tr>
<td>Legend of the Seas (2)</td>
<td>1995</td>
<td>1995</td>
<td>1,800</td>
<td>Australia/New Zealand</td>
</tr>
<tr>
<td>Majesty of the Seas</td>
<td>1992</td>
<td>1992</td>
<td>2,350</td>
<td>Bahamas</td>
</tr>
<tr>
<td>Empress of the Seas</td>
<td>1990</td>
<td>2016</td>
<td>1,550</td>
<td>Western Caribbean</td>
</tr>
<tr>
<td>Celebrity Cruises</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Celebrity Reflection</td>
<td>2012</td>
<td>2012</td>
<td>3,000</td>
<td>Mediterranean, Eastern/Western Caribbean</td>
</tr>
<tr>
<td>Celebrity Silhouette</td>
<td>2011</td>
<td>2011</td>
<td>2,850</td>
<td>Northern Europe, Mediterranean, Eastern/Western Caribbean</td>
</tr>
<tr>
<td>Celebrity Eclipse</td>
<td>2010</td>
<td>2010</td>
<td>2,850</td>
<td>Northern Europe, Southern Caribbean</td>
</tr>
<tr>
<td>Celebrity Equinox</td>
<td>2009</td>
<td>2009</td>
<td>2,850</td>
<td>Eastern/Western/Southern Caribbean</td>
</tr>
<tr>
<td>Celebrity Solstice</td>
<td>2008</td>
<td>2008</td>
<td>2,850</td>
<td>Alaska, Australia/New Zealand</td>
</tr>
<tr>
<td>Celebrity Xploration</td>
<td>2007</td>
<td>2016</td>
<td>20</td>
<td>Galapagos Islands</td>
</tr>
<tr>
<td>Celebrity Constellation</td>
<td>2002</td>
<td>2002</td>
<td>2,150</td>
<td>Mediterranean, Middle East, Southeast Asia</td>
</tr>
<tr>
<td>Celebrity Summit</td>
<td>2001</td>
<td>2001</td>
<td>2,150</td>
<td>Eastern/Western/Southern Caribbean, Bermuda, Canada</td>
</tr>
</tbody>
</table>
### Table of Contents

<table>
<thead>
<tr>
<th>Ship</th>
<th>Year Built</th>
<th>Year Ship Entered Service (1)</th>
<th>Approximate Berths</th>
<th>Primary Areas of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Celebrity Infinity</td>
<td>2001</td>
<td>2001</td>
<td>2,150</td>
<td>South America, Alaska</td>
</tr>
<tr>
<td>Celebrity Xpedition</td>
<td>2001</td>
<td>2004</td>
<td>100</td>
<td>Galapagos Islands</td>
</tr>
<tr>
<td>Celebrity Millennium</td>
<td>2000</td>
<td>2000</td>
<td>2,150</td>
<td>Alaska, Southeastern Asia, Eastern Asia</td>
</tr>
<tr>
<td>Celebrity Xperience</td>
<td>1982</td>
<td>2016</td>
<td>50</td>
<td>Galapagos Islands</td>
</tr>
<tr>
<td><strong>Azamara Club Cruises</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Azamara Quest</td>
<td>2000</td>
<td>2007</td>
<td>700</td>
<td>Mediterranean, Eastern/Western/Southern Caribbean, Latin America</td>
</tr>
<tr>
<td>Azamara Journey</td>
<td>2000</td>
<td>2007</td>
<td>700</td>
<td>Southeastern Asia, Eastern Asia, Australia/New Zealand, Mediterranean, Northern Europe</td>
</tr>
<tr>
<td><strong>Pullmantur</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zenith</td>
<td>1992</td>
<td>2014</td>
<td>1,400</td>
<td>Mediterranean, Southern Caribbean</td>
</tr>
<tr>
<td>Monarch</td>
<td>1991</td>
<td>2013</td>
<td>2,350</td>
<td>Southern Caribbean, Northern Europe</td>
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<td>Horizon</td>
<td>1990</td>
<td>2010</td>
<td>1,400</td>
<td>Northern Europe, Mediterranean</td>
</tr>
<tr>
<td>Sovereign</td>
<td>1988</td>
<td>2008</td>
<td>2,300</td>
<td>Mediterranean, Brazil</td>
</tr>
<tr>
<td><strong>TUI Cruises</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mein Schiff 6</td>
<td>2017</td>
<td>2017</td>
<td>2,500</td>
<td>Northern Europe, North America, Central America</td>
</tr>
<tr>
<td>Mein Schiff 5</td>
<td>2016</td>
<td>2016</td>
<td>2,500</td>
<td>Southern Caribbean, Mediterranean, Dubai</td>
</tr>
<tr>
<td>Mein Schiff 4</td>
<td>2015</td>
<td>2015</td>
<td>2,500</td>
<td>Northern Europe, Mediterranean, Southern Caribbean</td>
</tr>
<tr>
<td>Mein Schiff 3</td>
<td>2014</td>
<td>2014</td>
<td>2,500</td>
<td>Northern Europe, Southern Caribbean</td>
</tr>
<tr>
<td>Mein Schiff 2</td>
<td>1997</td>
<td>2011</td>
<td>1,900</td>
<td>Dubai, Mediterranean</td>
</tr>
<tr>
<td>Mein Schiff 1</td>
<td>1996</td>
<td>2009</td>
<td>1,900</td>
<td>Southeastern Asia, Northern Europe, Mediterranean</td>
</tr>
<tr>
<td><strong>SkySea Cruises</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SkySea Golden Era</td>
<td>1995</td>
<td>2015</td>
<td>1,800</td>
<td>Southeastern Asia</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>125,770</td>
<td></td>
</tr>
</tbody>
</table>

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

(2) In June 2016, we entered into an agreement to sell *Legend of the Seas* to Thomson Cruises, an affiliate of TUI AG, our joint venture partner, which is scheduled to be completed in March 2017.
Our Global Brands and our Partner Brands have eleven ships on order. Two ships on order are being built in Germany by Meyer Werft GmbH, three are being built in Finland by Meyer Turku shipyard and six are being built in France by STX France. The expected dates that the ships on order will enter service and their approximate berths are as follows:

<table>
<thead>
<tr>
<th>Ship</th>
<th>Expected to Enter Service</th>
<th>Approximate Berths</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal Caribbean International—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantum-class:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unnamed</td>
<td>2nd Quarter 2019</td>
<td>4,150</td>
</tr>
<tr>
<td>Unnamed</td>
<td>4th Quarter 2020</td>
<td>4,150</td>
</tr>
<tr>
<td>Oasis-class:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unnamed</td>
<td>1st Quarter 2018</td>
<td>5,450</td>
</tr>
<tr>
<td>Unnamed</td>
<td>2nd Quarter 2021</td>
<td>5,450</td>
</tr>
<tr>
<td>Celebrity Cruises — Project Edge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Celebrity Edge</td>
<td>4th Quarter 2018</td>
<td>2,900</td>
</tr>
<tr>
<td>Celebrity Beyond</td>
<td>1st Quarter 2020</td>
<td>2,900</td>
</tr>
<tr>
<td>Unnamed</td>
<td>4th Quarter 2021</td>
<td>2,900</td>
</tr>
<tr>
<td>Unnamed</td>
<td>4th Quarter 2022</td>
<td>2,900</td>
</tr>
<tr>
<td>TUI Cruises (50% joint venture) (1)—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mein Schiff 6</td>
<td>2nd Quarter 2017</td>
<td>2,500</td>
</tr>
<tr>
<td>Unnamed</td>
<td>2nd Quarter 2018</td>
<td>2,850</td>
</tr>
<tr>
<td>Unnamed</td>
<td>1st Quarter 2019</td>
<td>2,850</td>
</tr>
<tr>
<td>Total Berths</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>39,000</td>
</tr>
</tbody>
</table>

(1) TUI Cruises plans to offset this additional capacity through the planned transfer of their first two ships, Mein Schiff 1 and Mein Schiff 2, to Thomson Cruises in 2018 and 2019, respectively.

In October 2016, we signed a memorandum of understanding with Meyer Turku to build two ships of a new generation of ships for Royal Caribbean International, known as "Project Icon," which are expected to enter service in the second quarters of 2022 and 2024, respectively. While the design is still being finalized, each ship will likely accommodate approximately 5,000 guests. These orders are contingent upon completion of conditions precedent, including documentation and financing.

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):
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 as much as 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. In early 2015, in an effort to preserve the integrity of our cruise pricing, we implemented a new policy against introducing incremental discounting on our ticket prices in certain markets within 30 days of the sailing date. Through 2016, we continue to follow this policy.

As we grow our business globally, our sale arrangements with travel agents may vary. For instance, our sale arrangements in the mainland Chinese market are primarily composed of travel agent charter and group sales with full payment due close-in to sailing, and to a lesser extent, 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. The enhancements also allow us to better understand and react to the current demand and pricing environment and implement a variety of promotions.

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%, 73% and 73% of total revenues in 2016, 2015 and 2014, respectively.

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, catalogue gifts for guests and a wide variety of specialty restaurants and dining options. Many of these services are available for pre-booking on the internet 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 and Azamara Club 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...
Segment Reporting

We operate three wholly-owned cruise brands, Royal Caribbean International, Celebrity Cruises and Azamara Club 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 have a minority interest in the Chinese brand SkySea Cruises. 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, 2016, our Global Brands employed over 66,000 employees, including 60,000 shipboard employees as well as 6,000 full-time and 100 part-time employees in our shoreside operations. As of December 31, 2016, approximately 85% 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 financially sound insurance underwriters from the British, Scandinavian, French, United States and other reputable international insurance markets.

We maintain protection and indemnity liability insurance, which provides coverage for liabilities, costs and expenses for illness and injury to crew, guest injury, pollution and other third-party claims that arise out of, or are the result of, our cruise operations. Our vessels are insured through either the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited, the Steamship Mutual Underwriting Association or Gard AS. Our protection and indemnity liability insurance is done on a mutual basis and we are subject to additional premium calls in amounts based on claim records of all members of the mutual protection and indemnity association. We are also subject to additional premium calls based on investment shortfalls experienced by the insurer.

We maintain war risk insurance which covers damage due to acts of war, including invasion, insurrection, terrorism, rebellion, piracy and hijacking, on each ship, through a Norwegian war risk insurance organization. This coverage includes coverage for physical damage to the ship which is not covered under the hull policies as a result of war exclusion clauses in such hull policies. We also maintain protection and indemnity war risk coverage for risks that would be excluded by the rules of the indemnity insurance organizations, subject to certain limitations. Consistent with most marine war risk policies, under the terms of our war risk insurance coverage, in the event of a change in risk, underwriters can give seven days' notice to us that the policy will be canceled and reinstated at higher premium rates.

Insurance coverage for shoreside property and casualty exposures, shipboard inventory, off-vessel liability, directors and officers and other risks are maintained with insurance underwriters in the United States and the United Kingdom.
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 and Azamara Club 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, and the names of various cruise ships, as well as loyalty program names 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 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 the most recent modifications were phased in through 2010. Compliance with these modified standards did not have 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 maintain the required certificates of compliance with the ISM Code.
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; however, based on proposed regulations issued by the U.S. Coast Guard in January 2015, we do not expect any material costs due to implementing these regulations.

**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 and air pollution prevention for all of our ships and have begun to obtain the compliance certificates pertaining to ballast water as they become applicable to our ships.

The MARPOL Regulations impose global limitations on the sulfur content of fuel used by ships operating worldwide to 3.5%. The MARPOL Regulations also establish special Emission Control Areas ("ECAs") with stringent limitations on sulfur emissions in these areas. As of February 2016, 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").

Since January 1, 2015, ships operating in these sulfur ECAs have been required to reduce their fuel sulfur content from 1.0% to 0.1%. This reduction has not had a significant impact on our results of operations to date 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 our existing fleet.

We continue to implement our AEP system strategy both for our ships on order and for our existing fleet. As our new ships are delivered, they will provide us with additional operational and deployment flexibility. We currently have in place exemptions for 19 of our existing ships which apply while they are sailing in the North American and Caribbean ECAs. These exemptions have delayed the requirement to comply with the additional sulfur content reduction pending our continued development and deployment of AEP systems on these ships.
In addition, we believe that the learning from our existing endeavors as well as our further efforts with regards to this technology will allow us to complete an effective AEP system retrofit strategy for our fleet. As a result, we believe the cost of complying with the 2015 ECA sulfur emission requirement will not be significant to our results of operations.

By January 1, 2020, the MARPOL regulations will require the worldwide limitations on sulfur content of fuel to be reduced from 3.5% to 0.5%. As this regulation is implemented worldwide and if we have not been able to successfully execute our mitigation strategies, including our AEP system retrofit strategy, our fuel costs could increase significantly.

All new ships that began construction after January 1, 2016 will be required to meet more stringent nitrogen oxide emission limits when operating within the North American and U.S. Caribbean Sea ECA. We have been in the process of evaluating a number of technological alternatives over the last several years to address these new requirements and believe that we will be able to comply with these limits without a significant impact to our operations or fuel costs.

Effective July 1, 2015, the European Commission adopted legislation that will require 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. While we do not expect compliance with this regulation to materially impact our costs or results of operations, the adopting legislation presents 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.

Effective September 8, 2017, the IMO Ballast Water Management Convention will require ships that carry and discharge ballast water to meet specific discharge standards by installing Ballast Water Treatment Systems within the next five years. We do not expect compliance with this regulation to have a material effect on our results of operations.

**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 arrange through our insurers for the provision of surety for our ship-operating companies. The required surety 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 £27.4 million. In addition, in 2016 we were required by the Civil Aviation Authority to provide performance bonds totaling approximately £10.1 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 3 million to NOK 33 million during 2016.

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.

**Regulations Regarding Protection of Disabled Persons**

In June 2013, the U.S. Architectural and Transportation Barriers Compliance Board proposed guidelines for the construction and alteration of passenger vessels to ensure that the vessels are readily accessible to and usable by passengers with disabilities. Once finalized, these guidelines will be used by the U.S. Department of Transportation and U.S. Department of Justice to implement mandatory and enforceable standards for passenger vessels covered by the Americans with Disabilities Act. While we believe our vessels have been designed and outfitted to meet the needs of our guests with disabilities, we cannot at this time accurately predict whether we will be required to make material modifications or incur significant additional expenses given the preliminary status of the proposed guidelines.
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.

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.

Application of Section 883 of the Internal Revenue Code

We and Celebrity Cruises, Inc. 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). If, in the future, (1) Liberia no longer qualifies as an equivalent exemption jurisdiction, 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., 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 and Celebrity Cruises Inc. conduct a trade or business in the United States, we and Celebrity Cruises Inc. 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 and Celebrity Cruises Inc. 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 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 and Celebrity Cruises, Inc. 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. 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.

Maltese and Spanish Income Taxation

Effective July 31, 2016, we sold 51% of our interest in Pullmantur Holdings. 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.

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

We operate fourteen ships under companies which have elected to be subject to 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.

Failure to meet any of these requirements could cause us to lose the benefit of the tonnage tax regime which could have a material effect on our results of operations.

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 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 Brazil 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 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. Changes in the application or interpretation of applicable indirect tax laws or changes in tax legislation could have a material impact on our results of operations.

**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.rclinvestor.com](http://www.rclinvestor.com). The information contained on our website is not a part of any of these reports and is not incorporated by reference herein.
Executive Officers of the Company

As of February 23, 2017, our executive officers are:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
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<tbody>
<tr>
<td>Richard D. Fain</td>
<td>69</td>
<td>Chairman, Chief Executive Officer and Director</td>
</tr>
<tr>
<td>Adam M. Goldstein</td>
<td>57</td>
<td>President and Chief Operating Officer</td>
</tr>
<tr>
<td>Michael W. Bayley</td>
<td>58</td>
<td>President and Chief Executive Officer, Royal Caribbean International</td>
</tr>
<tr>
<td>Lisa Lutoff-Perlo</td>
<td>59</td>
<td>President and Chief Executive Officer, Celebrity Cruises</td>
</tr>
<tr>
<td>Lawrence Pimentel</td>
<td>65</td>
<td>President and Chief Executive Officer, Azamara Club Cruises</td>
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<tr>
<td>Jason T. Liberty</td>
<td>41</td>
<td>Chief Financial Officer</td>
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<tr>
<td>Harri U. Kulovaara</td>
<td>64</td>
<td>Executive Vice President, Maritime</td>
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<tr>
<td>Bradley H. Stein</td>
<td>61</td>
<td>Senior Vice President, General Counsel, Chief Compliance Officer</td>
</tr>
<tr>
<td>Henry L. Pujol</td>
<td>49</td>
<td>Senior Vice President, Chief Accounting Officer</td>
</tr>
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Richard D. Fain has served as a director since 1979 and as our Chairman and Chief Executive Officer since 1988. Mr. Fain is a recognized industry leader, having participated in shipping for almost 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 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.

Adam M. Goldstein has served as President and Chief Operating Officer since April 2014. Prior to this, he served as President of Royal Caribbean International since February 2005 and as its President and Chief Executive Officer since September 2007. Mr. Goldstein has been employed with Royal Caribbean since 1988 in a variety of positions, including Executive Vice President, Brand Operations of Royal Caribbean International, Senior Vice President, Total Guest Satisfaction and Senior Vice President, Marketing. Mr. Goldstein served as National Chair of the United States Travel Association (formerly, Travel Industry Association of America) in 2001 and as Chairman of CLIA in 2015 and 2016. Mr. Goldstein began a two-year term as Chairman of the Florida-Caribbean Cruise Association (FCCA) in January 2017.

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.

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.

Jason T. Liberty has been employed by the Company since 2005 and has served as Chief Financial Officer since May 2013. Mr. Liberty previously 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.

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 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.
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 global, 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. For example, the series of terrorism incidents throughout Europe in early 2016 negatively impacted demand for European cruises in 2016, particularly as it relates to demand for these cruises from North American guests. In view of our global operations, we are susceptible to a wide range of adverse events.

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 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 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, while interest rates have been near historic lows for several years, prevailing rates started to increase at the end of 2015 and are expected to continue to rise in 2017, which, given our level of variable rate indebtedness, would adversely impact our operating results. 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 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.

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. On June 23, 2016, voters in the United Kingdom approved an advisory referendum to withdraw from the European Union. The proposed withdrawal has resulted in increased volatility in the global financial markets and, in particular, in global currency exchange rates. The proposed withdrawal could potentially adversely affect tax, legal and regulatory regimes to which our business in the region is subject. The 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, uncertainty around these issues could lead to adverse effects on the economy of the United Kingdom and the other economies in which we operate, making it more difficult to source passengers from these regions. These risks may be exacerbated 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 impacted by changes in U.S. policy in areas such as trade, immigration and/or environmental or labor regulations, among others. Depending on the nature and scope of these changes, they could impact our domestic and international business operations. While still unclear, these changes, and any international response to them, could potentially introduce new barriers to passenger travel and/or cross border transactions.

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 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, airplanes, 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 and port facilities may also be adversely impacted by unusual weather patterns or natural disasters or disruptions, such as hurricanes. We are often forced to alter itineraries and occasionally to cancel a cruise or a series of cruises due to these or other factors, which could have an adverse effect on our sales and profitability. Increases in the frequency, severity or duration of severe weather events, including those related to climate change, could exacerbate the impact and cause further disruption to our operations. 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. A total of 60 new ships with approximately 173,000 berths are on order for delivery through 2021 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 may be amplified in emerging cruise markets, such as China, where we expect continuing increases in capacity over a relatively short time horizon. 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.

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 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, local governmental regulations and local community concerns about port development and other adverse impacts on their communities from additional tourists. In addition, fuel costs may adversely impact the destinations on certain of our itineraries. 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 and their subcontractors 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 and their subcontractors 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 and, accordingly, increased demand for available new construction slots and/or continued consolidation in the cruise shipyard industry (including completion of Italian shipbuilder Fincantieri's bid for STX France) could impact our ability to construct new ships when and as planned, cause us to continue to commit to new ship orders earlier than we have historically done so and/or 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, and shipyards and/or their subcontractors 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 and Princess Cruises; 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.

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, geopolitical 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 or if we are required to post a significant amount of collateral under our interest rate hedging contracts.

Our debt agreements contain covenants, including covenants restricting our ability to take certain actions and financial covenants. In addition, our ability to make borrowings under our available credit facilities is subject to the absence of material adverse changes in our business. 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 ship 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 the Board is no longer comprised of individuals who were members of the Board 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.

Our failure to comply with the terms of our 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 and/or upgrading our ships, based on expected market preferences 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.

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 booking. In addition, the travel agent industry is sensitive to economic conditions that impact discretionary income. 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 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 systems 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 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 and retain high quality personnel in key markets. We must continue to sufficiently recruit, retain, train and motivate our employees to maintain our current business and support our projected global growth both shoreside and on our ships. Furthermore, as of December 31, 2016, 85% 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-investment with third parties may subject us to additional risks.**

Partnerships, joint ventures, and other business structures involving our co-investment 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. With the sale of 51% of our interest in Pullmantur in July 2016, we continue to expand the breadth of our co-investment activities, which also include TUI Cruises, SkySea Cruises, Grand Bahama Shipyard and minority ownership investments in various port development and other projects. 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-investment with third parties could adversely impact our 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.

A failure to keep pace with developments in technology or technological obsolescence could impair our operations or competitive position.

Our business continues to demand the use of sophisticated technology and systems. These technologies and systems must be 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, and a failure to do so could result in higher than anticipated costs or could impair our operating results.

We may be exposed to risks and costs associated with cyber security, including protecting the integrity and security of our guests’, employees’ and business partners’ personal information.

We are subject to various risks associated with the collection, handling, storage and transmission of sensitive information, including risks related to compliance with applicable laws and other contractual obligations, as well as the risk that our systems collecting such information could be compromised. In the course of doing business, we collect large volumes of internal and customer data, including personally identifiable information for various business purposes. We are subject to federal, state and international laws relating to the collection, use, retention, security and transfer of personally identifiable information. 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 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.

In addition, even if we are fully compliant with legal standards and contractual requirements, we still may not be able to prevent security breaches involving sensitive data. Any breach, theft, loss, or fraudulent use of guest, employee 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. Additionally, the techniques and sophistication used to conduct cyber-attacks and breaches of information technology systems, as well as the sources and targets of these attacks, change frequently and are often not recognized until such attacks are launched or have been in place for a period of time. Our security measures cannot provide assurance that we will be successful in preventing or identifying such breaches.

The potential unavailability of insurance coverage or an inability to obtain insurance coverage at commercially reasonable rates 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 which could result in an unexpected decrease in our revenue and results of operations in the event of an incident.

Our protection and indemnity (“P&I”) liability insurance is placed on a mutual basis and we are subject to additional premium calls in amounts based on claim records of all members of the P&I Club. We are also subject to additional premium assessments including, but not limited to, investment or underwriting shortfalls experienced by the P&I Club.

We cannot be certain that insurance and reinsurance coverage will be available to us and at commercially reasonable rates in the future. 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 and greenhouse gas (GHG) 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 a ship or 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 tonnage tax regimes of the United Kingdom and Malta. Further, some of our operations are conducted in jurisdictions where we rely on tax treaties to provide exemption from taxation. To the extent the tonnage tax laws of these countries change or we do not continue to meet 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 Board approval 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.
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 US 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 of our 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

In April 2015, the Alaska Department of Environmental Conservation issued Notices of Violation to Royal Caribbean International and Celebrity Cruises seeking monetary penalties for alleged violations of the Alaska Marine Visible Emission Standards that occurred over the previous five years on certain of our vessels. In February 2017, we settled all claims pursuant to a Compliance Order by Consent in which we agreed to pay an amount and perform certain remedial actions which, individually and in the aggregate, are immaterial to our financial condition or results of operations and cash flows.

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.
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." The table below sets forth the high and low sales prices of our common stock as reported by the NYSE for the two most recent years by quarter:

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<th>NYSE Common Stock</th>
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<th>Low</th>
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<tr>
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In 2015, we applied for and received approval to delist from the Oslo Stock Exchange ("OSE"). Our last day of trading on the OSE was March 8, 2016.

Holders

As of February 9, 2017 there were 1,874 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

In 2015, we declared cash dividends on our common stock of $0.30 per share during the first and second quarters of 2015. We increased the dividend amount to $0.375 per share for the dividends declared in the third and fourth quarters of 2015 and the first and second quarters of 2016. The dividend amount was increased to $0.48 per share for the dividends declared in the third and fourth quarters of 2016.

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.
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 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, 2011 to December 31, 2016.

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, 2011 and that all dividends were reinvested. Past performance is not necessarily an indicator of future results.
Item 6. Selected Financial Data

The selected consolidated financial data presented below for the years 2012 through 2016 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,

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Operating Data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues</td>
<td>$8,496,401</td>
<td>$8,299,074</td>
<td>$8,073,855</td>
<td>$7,959,894</td>
<td>$7,688,024</td>
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<tr>
<td>Operating income</td>
<td>$1,477,205</td>
<td>$874,902</td>
<td>$941,859</td>
<td>$798,148</td>
<td>$403,110</td>
</tr>
<tr>
<td>Net income</td>
<td>$1,283,388</td>
<td>$665,783</td>
<td>$764,146</td>
<td>$473,692</td>
<td>$18,287</td>
</tr>
<tr>
<td>Adjusted Net Income (1)(2)(3)</td>
<td>$1,314,689</td>
<td>$1,065,066</td>
<td>$755,729</td>
<td>$539,224</td>
<td>$442,873</td>
</tr>
<tr>
<td><strong>Per Share Data—Basic:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$5.96</td>
<td>$3.03</td>
<td>$3.45</td>
<td>$2.16</td>
<td>$0.08</td>
</tr>
<tr>
<td>Adjusted Net Income</td>
<td>$6.10</td>
<td>$4.85</td>
<td>$3.41</td>
<td>$2.46</td>
<td>$2.03</td>
</tr>
<tr>
<td>Weighted-average shares</td>
<td>215,393</td>
<td>219,537</td>
<td>221,658</td>
<td>219,638</td>
<td>217,930</td>
</tr>
<tr>
<td><strong>Per Share Data—Diluted:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$5.93</td>
<td>$3.02</td>
<td>$3.43</td>
<td>$2.14</td>
<td>$0.08</td>
</tr>
<tr>
<td>Adjusted Net Income</td>
<td>$6.08</td>
<td>$4.83</td>
<td>$3.39</td>
<td>$2.44</td>
<td>$2.02</td>
</tr>
<tr>
<td>Weighted-average shares and potentially dilutive shares</td>
<td>216,316</td>
<td>220,689</td>
<td>223,044</td>
<td>220,941</td>
<td>219,457</td>
</tr>
<tr>
<td>Dividends declared per common share</td>
<td>$1.71</td>
<td>$1.35</td>
<td>$1.10</td>
<td>$0.74</td>
<td>$0.44</td>
</tr>
<tr>
<td><strong>Balance Sheet Data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>$22,310,324</td>
<td>$20,782,043</td>
<td>$20,524,060</td>
<td>$19,915,003</td>
<td>$19,670,401</td>
</tr>
<tr>
<td>Total debt, including capital leases</td>
<td>$9,387,436</td>
<td>$8,527,243</td>
<td>$8,254,818</td>
<td>$7,916,860</td>
<td>$8,332,418</td>
</tr>
<tr>
<td>Common stock</td>
<td>$2,346</td>
<td>$2,339</td>
<td>$2,331</td>
<td>$2,308</td>
<td>$2,291</td>
</tr>
<tr>
<td>Total shareholders' equity</td>
<td>$9,121,412</td>
<td>$8,063,039</td>
<td>$8,284,359</td>
<td>$8,808,265</td>
<td>$8,308,749</td>
</tr>
</tbody>
</table>


(2) Amount for 2013 excludes restructuring and related impairment charges of $56.9 million and an $8.6 million loss related to the estimated impact of Pullmantur's non-core businesses that were sold in 2014.

(3) Amount for 2012 excludes an impairment charge of $385.4 million, to write down Pullmantur's goodwill to its implied fair value and to write down trademarks and trade names and certain long-lived assets, consisting of aircraft that was then owned and operated by Pullmantur Air, to their fair value, and a net deferred tax charge of $28.5 million. The net deferred tax charge includes a $33.7 million charge to record a 100% valuation allowance related to our deferred tax assets for Pullmantur and a $5.2 million tax benefit to reduce the deferred tax liability related to Pullmantur's trademarks and trade names. Additionally, the amount for 2012 excludes a $10.7 million loss related to the estimated impact of Pullmantur's non-core businesses that were sold in 2014.
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 2017, our earnings and yield estimates for 2017 set forth under the heading "Outlook" below and expectations regarding the timing and results of our Double-Double Program), 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, 2016 compared to the same period in 2015 and the year ended December 31, 2015 compared to the same period in 2014;
- a discussion of our business outlook, including our expectations for selected financial items for the first quarter and full year of 2017; 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 2016 would have increased by approximately $62.7 million. If our ships were estimated to have no residual value, depreciation expense for 2016 would have increased by approximately $221.9 million.

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 tradenames. 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, 2016, the carrying amount of indefinite-life intangible assets was not material. Other intangible assets assigned finite useful lives are amortized on a straight-line basis over their estimated useful lives.

We review our ships, aircraft 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 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 2016, 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, its financial performance has been solid in the face of mixed economic environments and forecasts of operating results generated by the reporting unit appear sufficient to support its carrying value. As of December 31, 2016, the carrying amount of goodwill attributable to our Royal Caribbean reporting unit was $286.8 million.

**2015 Impairment of Pullmantur Related Assets**

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During the third quarter of 2015, we performed an interim impairment evaluation of Pullmantur’s goodwill and trademarks and trade names in connection with the preparation of our financial statements. As a result of this analysis, we determined that the carrying value of the Pullmantur reporting unit exceeded its fair value. Similarly, we determined that the carrying value of Pullmantur’s trademarks and trade names exceeded their fair value. Accordingly, upon the completion of the relevant impairment tests discussed above, we recognized impairment charges of $123.8 million and $174.3 million for goodwill and trademark and trade names, respectively, during the quarter ended September 30, 2015. These charges reflected the full carrying amounts of the goodwill and trademark and trade names leaving Pullmantur with no intangible assets on its books.

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 14. 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.

We enter into foreign currency forward contracts and collars, interest rate, cross-currency 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 and cross-currency 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.

We estimate the fair value of our foreign currency collars using standard option pricing models with inputs based on the options' contract terms, such as exercise price and maturity, and readily available public market data, such as foreign exchange prices, foreign exchange volatility levels and discount rates.

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, cross-currency 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. Additionally, revenue related to Pullmantur's travel agency network, land-based tours and air charter business to third parties are included in **Onboard and other revenues** through March 31, 2014, the date of the sale of Pullmantur's non-core businesses. **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 charters to and 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;
- **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. Additionally, costs associated with Pullmantur's travel agency network, land-based tours and air charter business to third parties are included in **Other operating expenses** through March 31, 2014, the date of the sale of Pullmantur's non-core businesses.

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, which we believe 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 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 represents net income 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 the impairment of the Pullmantur related assets, the net loss related to the elimination of the Pullmantur reporting lag, the net gain related to the sale of the Pullmantur and CDF brands and related costs, restructuring charges and other initiative costs related to our Pullmantur right-sizing strategy and other restructuring initiatives, the estimated impact of the divested Pullmantur non-core businesses for periods prior to the sales transaction, the loss recognized on the sale of Celebrity Century, the impact of the change in our voyage proration methodology and the reversal of a deferred tax asset valuation allowance due to Spanish tax reform. The estimated impact of the divested Pullmantur non-core businesses was arrived at by adjusting the net income (loss) of these businesses for the ownership percentage we retained, as well as, for intercompany transactions that are no longer eliminated in our consolidated statements of comprehensive income (loss) subsequent to the sales transaction. For the full year 2014, the impact of the voyage proration change represents net income that would have been recognized in 2013 had we recognized revenues and cruise operating expenses on a pro-rata basis for all voyages.

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. 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.

Double-Double Program refers to the multi-year Adjusted EPS and Return on Invested Capital ("ROIC") goals we publicly announced in 2014 and are seeking to achieve by the end of 2017. We designed this program to help us better execute and achieve our business goals by clearly articulating longer-term financial objectives. Under the Double-Double Program, we are targeting Adjusted EPS of $6.78 by the end of 2017, which is double our 2014 Adjusted EPS of $3.39. We are also targeting ROIC of 10% by the end of 2017 as compared to ROIC of 5.9% in 2014.

Gross Cruise Costs represent the sum of total cruise operating expenses plus 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. We have not provided a quantitative reconciliation of projected Gross Cruise Costs to projected Net Cruise Costs and projected Net Cruise Costs Excluding Fuel due to the significant uncertainty in projecting the costs deducted to arrive at these measures. Accordingly, we do not believe that reconciling information for such projected figures would be meaningful. For the periods prior to the sale of the Pullmantur non-core businesses, Net Cruise Costs excludes the estimated impact of these divested businesses. Net Cruise Costs also excludes the net gain related to the sale of the Pullmantur and CDF brands and related costs and initiative costs related to our Pullmantur right-sizing strategy and other restructuring initiatives, as well as the loss recognized on the sale of Celebrity Century.
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). For the periods prior to the sale of the Pullmantur non-core businesses, we have presented Net Revenues excluding the estimated impact of these divested businesses in the financial tables under Results of Operations.

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 it is the most relevant measure of our pricing performance because it reflects 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. We have not provided a quantitative reconciliation of projected Gross Yields to projected Net Yields due to the significant uncertainty in projecting the costs deducted to arrive at this measure. Accordingly, we do not believe that reconciling information for such projected figures would be meaningful. For the periods prior to the sale of the Pullmantur non-core businesses, Net Yields excludes the estimated impact of these divested businesses. Net Yields also 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 periods' currency exchange rates had remained constant with the comparable prior periods' 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 United States GAAP based financial measures. There are no specific rules or regulations for determining non-GAAP and Constant Currency measures, and as such, there exists the possibility that they may not be comparable to other companies within the industry.
Executive Overview

The year 2016 marked the penultimate year of our Double-Double program ("Double-Double"), which we implemented in 2014 to challenge our employees towards a true step change in performance. As part of this effort, we set two multi-year financial targets, including doubling our 2014 Adjusted Earnings Per Share ("Adjusted EPS") and achieving double-digit Return on Invested Capital ("ROIC") by the end of 2017. By communicating these goals to our employees, we have been able to better align and influence internal decision making and energize and focus our personnel towards reaching these targets. Our long-term commitment to grow revenue yields, manage costs and maintain steady capacity growth continues to guide us towards Double-Double. While our Double-Double goals are demanding, they are consistent with and reflect the trajectory of our business over the last several years in which we have experienced annual Adjusted EPS growth of approximately 39%, 42% and 26% and annual ROIC growth of approximately 16%, 29% and 17% in each of 2014, 2015 and 2016, respectively.

Our 2016 net income was $1.3 billion, or $5.93 per diluted share, compared to $665.8 million, or $3.02 per diluted share, in 2015. Adjusted Net Income for 2016 was $1.3 billion, or $6.08 per diluted share, compared to $1.1 billion, or $4.83 per diluted share, in 2015. Adjusted EPS for 2016 represents the third straight year we achieved a record amount, growing over 25% on 2015.

Additionally, Net Yields on a Constant-Currency basis increased for the seventh consecutive year. For the year ended December 31, 2016, our Net Yields on a Constant-Currency basis increased by 3.9%, primarily driven by increases in both ticket and onboard yields and by a benefit from the deconsolidation of the Pullmantur brand from the rest of the company in August. The success of North American based sailings such as the Caribbean, Alaska, and Bermuda were largely responsible for our organic revenue growth. Higher yields were also generated by the introductions of two new ships in 2016 - Ovation of the Seas in April and Harmony of the Seas in May. Partly offsetting these successes was softer than anticipated demand from the China market and the continued geopolitical turmoil in Europe, resulting in a shift of sourcing from North American guests to European guests, particularly for Mediterranean sailings.

Net onboard revenue yield in 2016 grew by 7.8% year-over-year on a Constant Currency basis, despite the increasing value of the dollar relative to our basket of foreign currencies which created an unfavorable impact on our earnings and limited the spending power of our foreign guests. Growth came from a variety of areas, most notably from beverage package sales and our high speed onboard internet products. We expect to continue this upward onboard yield growth trend in 2017 and expect them to grow by slightly more than the average net revenue yield growth for the year.

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 2016, our Net Cruise Costs excluding fuel increased by 0.9% on a Constant Currency basis compared to 2015. Going into 2017, we expect Net Cruise Costs excluding fuel on a Constant Currency basis to be flat as we remain intensely focused on cost controls, and further realize economies of scale.

The Company remains focused on improving returns for our shareholders. In 2016, we bought back $300 million shares of common stock completing our $500 million share repurchase program that was announced in October 2015. Additionally, in September 2016, we announced a 28% increase to our common stock dividend.

For the year 2017, our capacity in the Caribbean will increase year-over-year as Harmony of the Seas and Celebrity Equinox will remain in the Caribbean year-round rather than spending the summer in Europe. While Harmony of the Seas will be replaced by Freedom of the Seas in Europe, we will not be replacing Celebrity Equinox in the Eastern Mediterranean. The combination of these deployment changes result in a reduction in capacity in Europe. Our capacity in the Asia Pacific region is expected to grow 5% year-over-year primarily due to the first full year of deployment for Ovation of the Seas. Industry-wide capacity in the region is expected to grow 17%, slowing from the 34% growth increase the region experienced in 2016.
In May 2016, we announced the order of our fifth Oasis-class ship for delivery in the spring of 2021, and two additional Edge-class ships scheduled for delivery in the fall of each of 2021 and 2022. In addition to investing in new hardware, we opportunistically evaluate selling or transferring older ships to further optimize our fleet. Since 2014, we have sold or are about to sell four ships that are expected to improve our ROIC - the sale of Celebrity Century to a subsidiary of Skysea Holdings, the sale of Ocean Dream to an unrelated third party, the sale of Splendour of the Seas to TUI Cruises, and most recently, the pending sale of Legend of the Seas to Thomson Cruises.
Results of Operations

In addition to the items discussed above under "Executive Overview," significant items for 2016 include:

- Both our net income and Adjusted Net Income for the year ended December 31, 2016 was $1.3 billion, or $5.93 and $6.08 per share on a diluted basis, respectively, as compared to net income and Adjusted Net Income of $665.8 million and $1.1 billion, or $3.02 and $4.83 per share on a diluted basis, respectively, for the year ended December 31, 2015.

- The effect of changes in foreign currency exchange rates related to our passenger ticket and onboard and other revenue transactions and cruise operating expenses denominated in currencies other than the United States dollar resulted in a decrease to total revenues of $187.9 million for the year ended December 31, 2016 compared to the same period in 2015 and a decrease to cruise operating expenses of $40.9 million for the year ended December 31, 2016 compared to the same period in 2015.

- Total revenues, excluding the unfavorable effect of changes in foreign currency exchange rates, increased by $385.2 million for the year ended December 31, 2016 compared to the same period in 2015 primarily due to an increase in overall capacity and ticket prices, which are further discussed below.

- Total Cruise operating expenses, excluding the favorable effect of changes in foreign currency exchange rates, decreased by $41.9 million for the year ended December 31, 2016 compared to the same period in 2015, primarily due to a decrease in fuel expense, excluding the impact of the increase in capacity, which is further discussed below.

- Effective January 1, 2016, we eliminated Pullmantur Holdings', the parent company of the Pullmantur and CDF brands, two-month reporting lag to be consistent with the fiscal calendar of the Company. As a result of this change, the results of Pullmantur Holdings for November and December 2015 are included in our statement of comprehensive income (loss) for the year ended December 31, 2016. The effect of this change was a decrease to net income of $21.7 million and this amount is reported within Other income in our consolidated statements of comprehensive income (loss) for the year ended December 31, 2016. Refer to Note 1. General to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information on the elimination of the Pullmantur reporting lag.

- In July 2016, we sold 51% of our interest in Pullmantur Holdings. We retain a 49% interest in Pullmantur Holdings as well as full ownership of the four vessels currently operated by the Pullmantur brand under bareboat charter arrangements. As a result of the sale of a majority interest in Pullmantur Holdings, we recognized an immaterial gain and no longer consolidate these businesses in our consolidated financial statements effective August 2016. Refer to Note 1. General to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information.

Other items for 2016 include:

- In April 2016, we took delivery of Ovation of the Seas. To finance the purchase, we borrowed $841.8 million under a previously committed 12-year unsecured term loan, which is 95% guaranteed by Hermes. Refer to Note 7. Long-Term Debt to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information.

- In May 2016, we took delivery of Harmony of the Seas. To finance the purchase, we borrowed €700.7 million, or $739.2 million based on the exchange rate at December 31, 2016, and $226.1 million under previously committed unsecured term loans. Both of the facilities are 100% guaranteed by COFACE. Refer to Note 7. Long-Term Debt to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information.

- In May 2016, TUI Cruises, our 50% joint venture, took delivery of Mein Schiff 5.
In June 2016, we entered into an agreement to sell *Legend of the Seas* to Thomson Cruises. The sale is scheduled to be completed in March 2017 in order to retain the future revenues to be generated for sailings through that date. We expect to recognize a gain on the sale, which we do not expect will have a material effect to our annual consolidated financial statements.

During 2016, we entered into agreements with STX France to build a fifth Oasis-class ship for Royal Caribbean International and a third and fourth "Project Edge" ship for Celebrity Cruises. Additionally in 2016, we signed a memorandum of understanding with Meyer Turku to build two ships of a new generation of ships for Royal Caribbean International, known as "Project Icon." Refer to Note 15, *Commitments and Contingencies* to our consolidated financial statements under Item 8, *Financial Statements and Supplementary Data* for further information.

We reported net income, Adjusted Net Income, earnings per share and Adjusted Earnings per Share as shown in the following table (in thousands, except per share data):

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td>$1,283,388</td>
<td>$665,783</td>
<td>$764,146</td>
</tr>
<tr>
<td><strong>Adjusted Net Income</strong></td>
<td>1,314,689</td>
<td>1,065,066</td>
<td>755,729</td>
</tr>
<tr>
<td><strong>Net Adjustments to Net Income - Increase (Decrease)</strong></td>
<td>$31,301</td>
<td>$399,283</td>
<td>$(8,417)</td>
</tr>
<tr>
<td><strong>Adjustments to Net Income:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of Pullmantur related assets (1)</td>
<td>$—</td>
<td>$399,283</td>
<td>$—</td>
</tr>
<tr>
<td>Net loss related to the elimination of the Pullmantur reporting lag</td>
<td>21,656</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net gain related to the sale of the Pullmantur and CDF Croisières de France brands</td>
<td>(3,834)</td>
<td>—</td>
<td>4,318</td>
</tr>
<tr>
<td>Restructuring charges</td>
<td>8,452</td>
<td>—</td>
<td>4,318</td>
</tr>
<tr>
<td>Other initiative costs</td>
<td>5,027</td>
<td>—</td>
<td>21,211</td>
</tr>
<tr>
<td>Estimated impact of divested businesses prior to sales transaction</td>
<td>—</td>
<td>—</td>
<td>11,013</td>
</tr>
<tr>
<td>Loss on sale of ship included within other operating expenses</td>
<td>—</td>
<td>—</td>
<td>17,401</td>
</tr>
<tr>
<td>Impact of voyage proration change (2)</td>
<td>—</td>
<td>—</td>
<td>(28,877)</td>
</tr>
<tr>
<td>Reversal of a deferred tax valuation allowance</td>
<td>—</td>
<td>—</td>
<td>(33,483)</td>
</tr>
<tr>
<td><strong>Net Adjustments to Net Income - Increase (Decrease)</strong></td>
<td>$31,301</td>
<td>$399,283</td>
<td>$(8,417)</td>
</tr>
</tbody>
</table>

**Basic:**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per Share</td>
<td>$5.96</td>
<td>$3.03</td>
<td>$3.45</td>
</tr>
<tr>
<td>Adjusted Earnings per Share</td>
<td>$6.10</td>
<td>$4.85</td>
<td>$3.41</td>
</tr>
</tbody>
</table>

**Diluted:**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per Share</td>
<td>$5.93</td>
<td>$3.02</td>
<td>$3.43</td>
</tr>
<tr>
<td>Adjusted Earnings per Share</td>
<td>$6.08</td>
<td>$4.83</td>
<td>$3.39</td>
</tr>
</tbody>
</table>

**Weighted-Average Shares Outstanding:**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>215,393</td>
<td>219,537</td>
<td>221,658</td>
</tr>
<tr>
<td>Diluted</td>
<td>216,316</td>
<td>220,689</td>
<td>223,044</td>
</tr>
</tbody>
</table>

(1) Includes a net deferred income tax benefit of $12.0 million related to the Pullmantur impairment.

(2) Represents the net income amount that would have been recognized in 2013 had we recognized revenues and cruise operating expenses on a pro-rata basis for all voyages.
The following table presents operating results as a percentage of total revenues for the last three years:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger ticket revenues</td>
<td>72.4%</td>
<td>73.0%</td>
<td>73.0%</td>
</tr>
<tr>
<td>Onboard and other revenues</td>
<td>27.6%</td>
<td>27.0%</td>
<td>27.0%</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Cruise operating expenses:

<table>
<thead>
<tr>
<th>Cruise operating expenses:</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissions, transportation and other</td>
<td>15.9%</td>
<td>16.9%</td>
<td>17.0%</td>
</tr>
<tr>
<td>Onboard and other</td>
<td>5.8%</td>
<td>6.7%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Payroll and related</td>
<td>10.4%</td>
<td>10.4%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Food</td>
<td>5.7%</td>
<td>5.8%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Fuel</td>
<td>8.4%</td>
<td>9.6%</td>
<td>11.7%</td>
</tr>
<tr>
<td><strong>Other operating</strong></td>
<td><strong>12.8%</strong></td>
<td><strong>12.1%</strong></td>
<td><strong>13.3%</strong></td>
</tr>
<tr>
<td><strong>Total cruise operating expenses</strong></td>
<td><strong>59.0%</strong></td>
<td><strong>61.4%</strong></td>
<td><strong>65.7%</strong></td>
</tr>
</tbody>
</table>

Marketing, selling and administrative expenses | 13.0% | 13.1% | 13.0% |

Depreciation and amortization expenses | 10.5% | 10.0% | 9.6% |

Impairment of Pullmantur related assets | — | 5.0% | — |

Restructuring and related impairment charges | 0.1% | —% | 0.1% |

Operating income | 17.4% | 10.5% | 11.7% |

Other expense | (2.3)% | (2.5)% | (2.2)% |

Net income | 15.1% | 8.0% | 9.5% |

Selected statistical information is shown in the following table:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2016 (1)</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers Carried</td>
<td>5,754,747</td>
<td>5,401,899</td>
<td>5,149,952</td>
</tr>
<tr>
<td>Passenger Cruise Days</td>
<td>40,250,557</td>
<td>38,523,060</td>
<td>36,710,966</td>
</tr>
<tr>
<td>APCD</td>
<td>37,844,644</td>
<td>36,646,639</td>
<td>34,773,915</td>
</tr>
<tr>
<td>Occupancy</td>
<td>106.4%</td>
<td>105.1%</td>
<td>105.6%</td>
</tr>
</tbody>
</table>

(1) Does not include November and December 2015 amounts related to the elimination of the Pullmantur reporting lag since the impact is included within Other (expense) income in our consolidated statements of comprehensive income (loss) for the year ended December 31, 2016. 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):

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016 On a</td>
<td>2015 On a</td>
<td>2014 On a</td>
</tr>
<tr>
<td></td>
<td>Constant</td>
<td>Constant</td>
<td>Constant</td>
</tr>
<tr>
<td></td>
<td>Currency</td>
<td>Currency</td>
<td>Currency</td>
</tr>
<tr>
<td>Passenger ticket revenues</td>
<td>$ 6,149,323</td>
<td>$ 6,058,821</td>
<td>$ 5,893,847</td>
</tr>
<tr>
<td>Onboard and other revenues</td>
<td>2,347,078</td>
<td>2,240,253</td>
<td>2,180,008</td>
</tr>
<tr>
<td>Total revenues</td>
<td>8,496,401</td>
<td>8,299,074</td>
<td>8,073,855</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commissions, transportation</td>
<td>1,349,677</td>
<td>1,400,778</td>
<td>1,372,785</td>
</tr>
<tr>
<td>and other</td>
<td>1,382,295</td>
<td>553,104</td>
<td>582,750</td>
</tr>
<tr>
<td>Net revenues including other</td>
<td>6,653,166</td>
<td>6,345,192</td>
<td>6,118,320</td>
</tr>
<tr>
<td>initiative costs and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>divested businesses</td>
<td>6,806,928</td>
<td>35,656</td>
<td></td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other initiative costs</td>
<td>6,655,396</td>
<td>6,345,192</td>
<td>6,082,664</td>
</tr>
<tr>
<td>included within Net Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2,230)</td>
<td>—</td>
<td>35,656</td>
</tr>
<tr>
<td>Net revenues related to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>divested businesses prior to</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>sales transaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Revenues</td>
<td>$ 37,844,644</td>
<td>$ 36,646,639</td>
<td>$ 34,773,915</td>
</tr>
<tr>
<td>APCD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Yields</td>
<td>$ 224.51</td>
<td>$ 226.46</td>
<td>$ 232.18</td>
</tr>
<tr>
<td>Net Yields</td>
<td>$ 175.86</td>
<td>$ 173.15</td>
<td>$ 174.92</td>
</tr>
</tbody>
</table>
Gross Cruise Costs, Net Cruise Costs and Net Cruise Costs Excluding Fuel were calculated as follows (in thousands, except APCD and costs per APCD):

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2016 On a Constant Currency basis</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cruise operating expenses</td>
<td>$5,015,539</td>
<td>$5,056,533</td>
<td>$5,099,393</td>
<td>$5,306,281</td>
</tr>
<tr>
<td>Marketing, selling and administrative expenses</td>
<td>1,100,290</td>
<td>1,114,855</td>
<td>1,086,504</td>
<td>1,048,952</td>
</tr>
<tr>
<td>Gross Cruise Costs</td>
<td>6,115,829</td>
<td>6,171,388</td>
<td>6,185,897</td>
<td>6,355,233</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commissions, transportation and other</td>
<td>1,349,677</td>
<td>1,382,295</td>
<td>1,400,778</td>
<td>1,372,785</td>
</tr>
<tr>
<td>Onboard and other</td>
<td>493,558</td>
<td>495,101</td>
<td>553,104</td>
<td>582,750</td>
</tr>
<tr>
<td>Net Cruise Costs including divested businesses and other initiative costs</td>
<td>4,272,594</td>
<td>4,293,992</td>
<td>4,232,015</td>
<td>4,339,698</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain related to the sale of Pullmantur and CDF Croisières de France brands included within other operating expenses</td>
<td>(3,834)</td>
<td>(3,834)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net Cruise Costs related to divested businesses prior to sales transaction</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>47,854</td>
</tr>
<tr>
<td>Other initiative costs included within cruise operating expenses and marketing, selling and administrative expenses</td>
<td>2,433</td>
<td>2,525</td>
<td>—</td>
<td>18,972</td>
</tr>
<tr>
<td>Loss on sale of ship included within other operating expenses</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>17,401</td>
</tr>
<tr>
<td>Net Cruise Costs</td>
<td>4,273,995</td>
<td>4,295,301</td>
<td>4,232,015</td>
<td>4,315,471</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel (1)</td>
<td>713,252</td>
<td>714,257</td>
<td>795,801</td>
<td>947,391</td>
</tr>
<tr>
<td>Net Cruise Costs Excluding Fuel</td>
<td>$3,560,743</td>
<td>$3,581,044</td>
<td>$3,436,214</td>
<td>$3,368,080</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APCD</th>
<th>37,844,644</th>
<th>37,844,644</th>
<th>36,646,639</th>
<th>34,773,915</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Cruise Costs per APCD</td>
<td>$161.60</td>
<td>$163.07</td>
<td>$168.80</td>
<td>$182.76</td>
</tr>
<tr>
<td>Net Cruise Costs per APCD</td>
<td>$112.94</td>
<td>$113.50</td>
<td>$115.48</td>
<td>$124.10</td>
</tr>
<tr>
<td>Net Cruise Cost Excluding Fuel per APCD</td>
<td>$94.09</td>
<td>$94.62</td>
<td>$93.77</td>
<td>$96.86</td>
</tr>
</tbody>
</table>

(1) For the year ended December 31, 2016, 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.

**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 26, 2017, we announced the following initial full year and first quarter 2017 guidance based on the then current fuel pricing, interest rates and currency exchange rates:

**Full Year 2017**
### As Reported vs. Constant Currency

<table>
<thead>
<tr>
<th>Category</th>
<th>As Reported</th>
<th>Constant Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Yields</strong></td>
<td>3.3% to 5.3%</td>
<td>4.0% to 6.0%</td>
</tr>
<tr>
<td><strong>Net Cruise Costs per APCD</strong></td>
<td>Better than flat</td>
<td>Flat</td>
</tr>
<tr>
<td><strong>Net Cruise Costs per APCD, excluding Fuel</strong></td>
<td>Flat to (1%)</td>
<td>Flat</td>
</tr>
<tr>
<td><strong>Capacity Increase</strong></td>
<td>(1.7%)</td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation and Amortization</strong></td>
<td>$935 to $945 million</td>
<td></td>
</tr>
<tr>
<td><strong>Interest Expense, net</strong></td>
<td>$280 to $290 million</td>
<td></td>
</tr>
<tr>
<td><strong>Fuel Consumption (metric tons)</strong></td>
<td>1,332,000</td>
<td></td>
</tr>
<tr>
<td><strong>Fuel Expenses</strong></td>
<td>$704 million</td>
<td></td>
</tr>
<tr>
<td><strong>Percent Hedged (fwd consumption)</strong></td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td><strong>Impact of 10% change in fuel prices</strong></td>
<td>$30 million</td>
<td></td>
</tr>
<tr>
<td><strong>1% Change in Currency</strong></td>
<td>$17 million</td>
<td></td>
</tr>
<tr>
<td><strong>1% Change in Net Yield</strong></td>
<td>$68 million</td>
<td></td>
</tr>
<tr>
<td><strong>1% Change in NCC x Fuel</strong></td>
<td>$35 million</td>
<td></td>
</tr>
<tr>
<td><strong>1% Change in LIBOR</strong></td>
<td>$43 million</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted Earnings per Share — Diluted</strong></td>
<td>$6.90 to $7.10</td>
<td></td>
</tr>
</tbody>
</table>

### First Quarter 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>As Reported</th>
<th>Constant Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Yields</strong></td>
<td>Approx. 5.0%</td>
<td>4.5% to 5.0%</td>
</tr>
<tr>
<td><strong>Net Cruise Costs per APCD</strong></td>
<td>Approx. (4.0%)</td>
<td>(3.5%) to (4.0%)</td>
</tr>
<tr>
<td><strong>Net Cruise Costs per APCD, excluding Fuel</strong></td>
<td>Approx. (5.0%)</td>
<td>Approx. (4.5%)</td>
</tr>
<tr>
<td><strong>Capacity Increase</strong></td>
<td>1.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation and Amortization</strong></td>
<td>$230 million to $240 million</td>
<td></td>
</tr>
<tr>
<td><strong>Interest Expense, net</strong></td>
<td>$70 to $80 million</td>
<td></td>
</tr>
<tr>
<td><strong>Fuel Consumption (metric tons)</strong></td>
<td>336,000</td>
<td></td>
</tr>
<tr>
<td><strong>Fuel Expenses</strong></td>
<td>$178 million</td>
<td></td>
</tr>
<tr>
<td><strong>Percent Hedged (fwd consumption)</strong></td>
<td>59%</td>
<td></td>
</tr>
<tr>
<td><strong>Impact of 10% change in fuel prices</strong></td>
<td>$7 million</td>
<td></td>
</tr>
<tr>
<td><strong>1% Change in Currency</strong></td>
<td>$3 million</td>
<td></td>
</tr>
<tr>
<td><strong>1% Change in Net Yield</strong></td>
<td>$16 million</td>
<td></td>
</tr>
<tr>
<td><strong>1% Change in NCC x Fuel</strong></td>
<td>$9 million</td>
<td></td>
</tr>
<tr>
<td><strong>1% Change in LIBOR</strong></td>
<td>$9 million</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted Earnings per Share — Diluted</strong></td>
<td>Approx. $0.90</td>
<td></td>
</tr>
</tbody>
</table>

Since our earnings release on January 26, 2017, bookings have remained encouraging and consistent with our previous expectations. Accordingly, our forecast has remained essentially unchanged.

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 2017, 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 2017. Rankings are based on estimated net exposures.
The currency abbreviations above are defined as follows:

<table>
<thead>
<tr>
<th>Currency Abbreviation</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUD</td>
<td>Australian Dollar</td>
</tr>
<tr>
<td>CAD</td>
<td>Canadian Dollar</td>
</tr>
<tr>
<td>CNH</td>
<td>Chinese Yuan</td>
</tr>
<tr>
<td>EUR</td>
<td>Euro</td>
</tr>
<tr>
<td>GBP</td>
<td>British Pound</td>
</tr>
<tr>
<td>MXN</td>
<td>Mexican Peso</td>
</tr>
</tbody>
</table>

**Year Ended December 31, 2016 Compared to Year Ended December 31, 2015**

In this section, references to 2016 refer to the year ended December 31, 2016 and references to 2015 refer to the year ended December 31, 2015.

**Revenues**

Total revenues for 2016 increased $197.3 million, or 2.4%, to $8.5 billion from $8.3 billion in 2015.

*Passenger ticket revenues* comprised 72.4% of our 2016 total revenues. Passenger ticket revenues increased by $90.5 million, or 1.5%. The increase was primarily due to:

- a 3.3% increase in capacity, which increased *passenger ticket revenues* by $198.1 million, net of the capacity decrease resulting from the sale of our majority interest in Pullmantur Holdings; and
- an increase of $63.9 million in ticket prices primarily driven by our newest ships as well as higher pricing on Alaska and Caribbean sailings. The increase in ticket prices was partially offset by lower pricing on Mediterranean and Asia sailings.

The increase in passenger ticket revenues was partially offset by the unfavorable effect of changes in foreign currency exchange rates related to our revenue transactions denominated in currencies other than the United States dollar of approximately $171.5 million.

The remaining 27.6% of 2016 total revenues was comprised of *Onboard and other revenues*, which increased $106.8 million, or 4.8%. The increase in *Onboard and other revenues* was primarily due to:

- a $70.5 million increase attributable to the 3.3% increase in capacity noted above; and
- an $89.9 million increase on onboard revenue attributable to higher spending on a per passenger basis primarily due to our ship upgrade programs and other revenue enhancing initiatives, including various beverage and gaming initiatives, the promotion of specialty restaurants and the increased revenue associated with internet and other telecommunication services partially offset by a decrease in port activities revenue mainly due to itinerary changes.

The increase was partially offset by:
• an approximate $16.4 million unfavorable effect of changes in foreign currency exchange rates related to our onboard and other revenue transactions denominated in currencies other than the United States dollar; and

• a $37.2 million decrease in other revenues primarily related to our travel agency business that was sold in 2015 partially offset by an increase in revenue received for our bareboat charter and ship management services associated with our unconsolidated affiliates. The decrease in revenues from our travel agency business sold is mostly offset by the related decrease in travel agency expenses discussed below.

Onboard and other revenues included concession revenues of $316.9 million in 2016 and $327.1 million in 2015.

Cruise Operating Expenses

Total cruise operating expenses for 2016 decreased $83.9 million, or 1.6%, to $5.0 billion in 2016 from $5.1 billion in 2015. The decrease was primarily due to:

• a $114.4 million decrease in fuel expense, excluding the impact of the increase in capacity. Our cost of fuel (net of the financial impact of fuel swap agreements) for 2016 decreased 10.3% per metric ton compared to 2015;

• an approximate $40.9 million favorable effect of changes in foreign currency exchange rates related to our cruise operating expenses denominated in currencies other than the United States dollar;

• a $41.2 million decrease in other expenses primarily related to our travel agency business that was sold in 2015, which mostly offsets the related decrease in travel agency revenues discussed above;

• a $25.0 million decrease in air expense primarily due to the decrease in air transportation sales and lower costs; and

• a $20.2 million decrease in shore excursion expense attributable to lower contractual costs incurred and the decrease in port activities revenue discussed above.

The decrease was partially offset by a $164.7 million increase attributable to the 3.3% increase in capacity noted above.

Marketing, Selling and Administrative Expenses

Marketing, selling and administrative expenses for 2016 remained consistent compared to 2015.

Depreciation and Amortization Expenses

Depreciation and amortization expenses for 2016 increased $67.9 million, or 8.2%, to $894.9 million from $827.0 million in 2015. The increase was primarily due to the addition of Harmony of the Seas and Ovation of the Seas in the second quarter of 2016 into our fleet and the addition of Anthem of the Seas in the second quarter of 2015 and, to a lesser extent, new shipboard additions associated with our ship upgrade projects. The increase was partially offset by the sale of Splendour of the Seas in April 2016.

Impairment of Pullmantur Related Assets

During 2015, we recognized an impairment charge of $411.3 million to write down Pullmantur's goodwill to its implied fair value and to write down trademarks and trade names and certain long-lived assets, consisting of three aircraft owned and operated by Pullmantur Air and two ships owned and operated by Pullmantur, to their fair value.

Restructuring Charges
We incurred restructuring charges of approximately $8.5 million in 2016. Refer to Note 16. Restructuring Charges to our consolidated financial statements under Item 8. Financial Statements and Supplementary Data for further information on our restructuring initiatives.

Other Income (Expense)

Interest expense, net of interest capitalized, increased $29.6 million, or 10.7%, to $307.4 million in 2016 from $277.7 million in 2015. The increase was due to a higher average debt level attributable to the financing of Ovation of the Seas and Harmony of the Seas, partially offset by lower pricing on debt refinanced in 2015.

Equity investment income increased $47.3 million, or 58.4%, to $128.4 million in 2016 from $81.0 million in 2015 mainly due to the increase in income from TUI Cruises, one of our equity method investments.

Other expense in 2016 was $35.7 million compared to $24.4 million in 2015. The increase in expense of $11.2 million was primarily due to a net loss of $21.7 million related to the elimination of the Pullmantur reporting lag in 2016. The increase in other expense was partially offset by a decrease of $9.6 million in foreign exchange losses from the remeasurement of monetary assets and liabilities denominated in foreign currency.

Net Yields

Net Yields increased 1.6% in 2016 compared to 2015 primarily due to the increase in passenger ticket and onboard and other revenues discussed above. Net Yields increased 3.9% in 2016 compared to 2015 on a Constant Currency basis.

Net Cruise Costs

Net Cruise Costs increased 1.0% in 2016 compared to 2015 primarily due to the increase in capacity, partially offset by the decrease in fuel, which are further discussed above. Net Cruise Costs per APCD decreased 2.2% in 2016 compared to 2015 primarily due to the decrease in fuel. Net Cruise Costs per APCD on a Constant Currency basis decreased 1.7% in 2016 compared to 2015.

Net Cruise Costs Excluding Fuel

Net Cruise Costs Excluding Fuel per APCD remained consistent in 2016 compared to 2015 and increased 0.9% in 2016 compared to 2015 on a Constant Currency basis.

Other Comprehensive Income

Other comprehensive income in 2016 was $411.9 million compared to a loss of $431.4 million in 2015. The change of $843.4 million was primarily due to the Gain on cash flow derivative hedges in 2016 of $411.2 million compared to the Loss on cash flow derivative hedges of $406.0 million in 2015. The gain in 2016 resulted mostly from the reclassification of losses to earnings during 2016 from fuel cash flow hedges. In addition, there was an increase in the fair value of our fuel swaps in 2016 as a result of higher forward fuel prices. The loss in 2015 was primarily due to the decrease in the fair value of our fuel swaps and of our foreign currency forward contracts as a result of decreases in fuel prices and forward currency rates, somewhat offset by the reclassification of losses to earnings during 2015 from fuel cash flow hedges.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

In this section, references to 2015 refer to the year ended December 31, 2015 and references to 2014 refer to the year ended December 31, 2014.
Total revenues for 2015 increased $225.2 million, or 2.8%, to $8.3 billion from $8.1 billion in 2014.

**Passenger ticket revenues** comprised 73.0% of our 2015 total revenues. Passenger ticket revenues increased by $165.0 million, or 2.8%, to $6.1 billion in 2015 from $5.9 billion in 2014. The increase was primarily due to:

- a 5.4% increase in capacity, which increased *Passenger ticket revenues* by $317.4 million, net of the unfavorable impact of the change in our voyage proration. The increase in capacity was primarily due to the addition of *Anthem of the Seas* and *Quantum of the Seas*, which entered service in April 2015 and October 2014, respectively; and
- an increase of $181.1 million in ticket prices driven by higher pricing on *Anthem of the Seas* and *Quantum of the Seas* as well as higher pricing on Europe, Alaska and Caribbean sailings.

The increase in passenger ticket revenues was partially offset by the unfavorable effect of changes in foreign currency exchange rates related to our revenue transactions denominated in currencies other than the United States dollar of approximately $333.6 million.

The remaining 27.0% of 2015 total revenues was comprised of **Onboard and other revenues**, which increased $60.2 million, or 2.8%. The increase in *Onboard and other revenues* was primarily due to:

- a $111.3 million increase attributable to the 5.4% increase in capacity noted above, net of the unfavorable impact of the change in our voyage proration; and
- a $35.5 million increase in onboard revenue attributable to higher spending on a per passenger basis primarily due to our ship upgrade programs and other revenue enhancing initiatives, including various beverage initiatives, the addition and promotion of specialty restaurants, the increased revenue associated with internet and other telecommunication services and other onboard activities.

The increase was partially offset by:

- an approximate $50.8 million unfavorable effect of changes in foreign currency exchange rates related to our onboard and other revenue transactions denominated in currencies other than the United States dollar; and
- a $38.1 million decrease in revenues related to Pullmantur's non-core businesses that were sold in 2014.

*Onboard and other revenues* included concession revenues of $327.1 million in 2015 and $324.3 million in 2014.

**Cruise Operating Expenses**

Total cruise operating expenses for 2015 decreased $206.9 million, or 3.9%, to $5.1 billion in 2015 from $5.3 billion in 2014. The decrease was primarily due to:

- a $195.1 million decrease in fuel expense, excluding the impact of the increase in capacity. Our cost of fuel (net of the financial impact of fuel swap agreements) for 2015 decreased 16.0% per metric ton compared to 2014;
- an approximate $157.6 million favorable effect of changes in foreign currency exchange rates related to our cruise operating expenses denominated in currencies other than the United States dollar;
- a $40.4 million decrease in expenses related to Pullmantur's non-core businesses that were sold in 2014;
• a $24.6 million decrease in shore excursion expense attributable to lower contractual costs incurred and itinerary changes;

• a $19.4 million decrease in lease expense due to the lease termination and purchase of Brilliance of the Seas in 2014; and

• a $17.4 million loss incurred in 2014 due to the sale of Celebrity Century that did not recur in 2015.

The decrease was partially offset by a $276.7 million increase attributable to a 5.4% increase in capacity noted above, net of the favorable impact of the change in our voyage proration.

Marketing, Selling and Administrative Expenses

Marketing, selling and administrative expenses for 2015 increased $37.6 million, or 3.6%. The increase was primarily due to an increase in advertising spending mainly relating to our initiatives in the North American, Australian and Asian markets, an increase in payroll and benefits primarily due to an increase in our stock price over the past year related to our performance share awards and higher IT labor costs resulting from the addition of projects and initiatives in 2015. The increase was partially offset by a decrease in administrative expenses mainly driven by the sale of Pullmantur's non-core businesses in 2014 and savings realized from our cost containment initiatives.

Depreciation and Amortization Expenses

Depreciation and amortization expenses for 2015 increased $54.6 million, or 7.1%, to $827.0 million from $772.4 million in 2014. The increase was primarily due to the addition of Quantum of the Seas and Anthem of the Seas into our fleet, new shipboard additions associated with our ship upgrade projects and the acquisition of the Brilliance of the Seas, which was previously under lease, partially offset by the sale of Celebrity Century in September 2014.

Impairment of Pullmantur Related Assets

During 2015, we recognized an impairment charge of $411.3 million to write down Pullmantur's goodwill to its implied fair value and to write down trademarks and trade names and certain long-lived assets, consisting of three aircraft owned by Pullmantur and two ships owned and operated by Pullmantur, to their fair value. Refer to Note 3. Goodwill and Note 4. Intangible Assets to our consolidated financial statements for further information on the impairment of these assets.

Restructuring Charges

We incurred restructuring charges of approximately $4.3 million in 2014, which did not recur in 2015.

Other Income (Expense)

Interest expense, net of interest capitalized, increased $19.4 million, or 7.5%, to $277.7 million in 2015 from $258.3 million in 2014. The increase was primarily due to a higher average debt level attributable to the financing of Quantum of the Seas and Anthem of the Seas, partially offset by lower pricing on debt refinanced in 2015 and 2014.

Equity investment income increased $29.4 million, or 56.9%, to $81.0 million in 2015 from $51.6 million in 2014 mainly due to the increase in income from TUI Cruises, one of our equity method investments.

Other expense in 2015 was $24.4 million compared to Other income of $18.6 million in 2014. The increase in expense of $43.0 million was primarily due to a $33.5 million tax benefit related to the reversal of a deferred tax asset valuation allowance resulting from Spanish tax reform in 2014, which did not recur in 2015 and $20.9 million in foreign exchange losses from the remeasurement of monetary assets and liabilities denominated in foreign currency in 2015 compared to $0.9 million in gains in 2014. The increase in other expense was partially offset by a net deferred tax
benefit of $12.0 million resulting from the impairment of the Pullmantur related assets in 2015, which did not occur in 2014.

Net Yields

Net Yields decreased 1.0% in 2015 compared to 2014 primarily due to the unfavorable effect of changes in foreign currency exchange rates related to our passenger ticket revenue transactions denominated in currencies other than the United States dollar noted above. Net Yields increased 3.5% in 2015 compared to 2014 on a Constant Currency basis primarily due to the increase in passenger ticket and onboard revenues discussed above.

Net Cruise Costs

Net Cruise Costs decreased 1.9% in 2015 compared to 2014 primarily due to the decrease in fuel and the favorable effect of changes in foreign currency exchange rates related to our cruise operating expenses denominated in currencies other than the United States dollar, partially offset by an increase in capacity. Net Cruise Costs per APCD decreased 6.9% in 2015 compared to 2014. Net Cruise Costs per APCD on a Constant Currency basis decreased 4.7% in 2015 compared to 2014.

Net Cruise Costs Excluding Fuel

Net Cruise Costs Excluding Fuel per APCD decreased 3.2% in 2015 compared to 2014 and remained consistent in 2015 compared to 2014 on a Constant Currency basis.

Other Comprehensive Loss

Other comprehensive loss decreased by $471.2 million in 2015 compared to 2014 due to a $463.3 million decrease in losses on cash flow derivative hedges resulting mostly from the reclassification of losses to earnings during 2015 from fuel cash flow hedges.

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 $570.3 million to $2.5 billion for 2016 compared to $1.9 billion for 2015. 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 2016 compared to 2015. Additionally, dividends received from unconsolidated affiliates increased by $42.6 million.

Net cash provided by operating activities increased $202.6 million to $1.9 billion for 2015 compared to $1.7 billion for 2014. 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 and interest paid in 2015 compared to the same period in 2014.

Net cash used in investing activities increased $981.9 million to $2.7 billion in 2016 compared to $1.7 billion in 2015. The increase was primarily attributable to an increase in capital expenditures of $881.0 million in 2016 compared to the same period in 2015 primarily due to the deliveries of Ovation of the Seas and Harmony of the Seas in 2016. Additionally, cash repayments received on loans to our unconsolidated affiliates decreased $86.0 million in 2016.
compared to the same period in 2015 mainly due to TUI Cruises repaying in 2015 the outstanding balance of the debt facility we originally provided to them in 2011.

\textit{Net cash used in investing activities} decreased $27.4 million in 2015 compared to 2014. During 2015, our use of cash was primarily related to capital expenditures of $1.6 billion, down from $1.8 billion in 2014. The decrease in capital expenditures during 2015 was primarily attributable to the purchase of \textit{Brilliance of the Seas} in 2014. The decrease in cash used in investing activities was also due to a decrease in investments in and loans to unconsolidated affiliates of $132.4 million in 2015 compared to 2014 and an increase in cash repayments received on loans to unconsolidated affiliates of $48.1 million in 2015 compared to 2014. The decrease was partially offset by $220.0 million of proceeds received from the sale of \textit{Celebrity Century} in 2014 that did not recur in 2015. Additionally, there was an increase in cash paid on the settlement of derivative financial instruments of $110.5 million.

\textit{Net cash provided by financing activities} was $243.8 million for 2016 compared to \textit{Net cash used in investing activities} of $253.5 million in 2015. The increase was primarily attributable to an increase in debt proceeds of $2.9 billion during 2016 compared to 2015, partially offset by an increase in repayment of debt of $2.2 billion, an increase in stock repurchases of $100.0 million and an increase in dividends paid of $66.3 million during 2016 compared to 2015. The increase in debt proceeds was primarily due to the $841.8 million unsecured term loan borrowed in April 2016 to finance \textit{Ovation of the Seas}, the €700.7 million and $226.1 million unsecured term loans borrowed in May 2016 to finance \textit{Harmony of the Seas}, the $200.0 million unsecured term loan borrowed in April 2016 and higher drawings on our revolving credit facilities during 2016 compared to the $742.1 million unsecured term loan borrowed in April 2015 to finance \textit{Anthem of the Seas}. The increase in repayment of debt was primarily due to higher payments on our revolving credit facilities.

\textit{Net cash used in financing activities} was $253.5 million for 2015 compared to \textit{Net cash provided by financing activities} of $17.5 million in 2014. This change was primarily due to an increase of $394.3 million in repayment of debt, an increase of dividends paid of $81.3 million and a decrease in the proceeds from the exercise of common stock options of $59.6 million. The increase in cash used in financing activities was partially offset by a $245.5 million increase in debt proceeds and a $36.1 million decrease in the repurchase of treasury stock. The increase in repayment of debt was due to higher payments of $1.1 billion on our revolving credit facilities and a payment at maturity of $279.0 million on our 11.875% unsecured senior notes during 2015 compared to the payment at maturity of our €745.0 million 5.625% unsecured senior notes during 2014. The increase in debt proceeds was primarily due to the $742.1 million unsecured term loan borrowed to finance the purchase of \textit{Anthem of the Seas} and higher drawings of $706.0 million on our revolving credit facilities in 2015 compared to proceeds received on an unsecured term loan of $791.1 million due to the delivery of \textit{Quantum of the Seas} and proceeds received on our $380.0 million unsecured term loan facility during 2014.

\textit{Future Capital Commitments}

Our future capital commitments consist primarily of new ship orders. As of December 31, 2016, we have two Quantum-class ships and two Oasis-class ships on order for our Royal Caribbean International brand with an aggregate capacity of approximately 19,200 berths. Additionally, we have four "Project Edge" ships on order for our Celebrity Cruises brand with an aggregate capacity of approximately 11,600 berths. For each of these orders, we have committed unsecured financing arrangements in place covering 80% of the cost of the ship, each of which include sovereign financing guarantees.

As of December 31, 2016, the aggregate cost of our ships on order, not including the TUI Cruises' ships on order and the "Project Icon" ships which remain subject to conditions of effectiveness, was approximately $8.4 billion, of which we had deposited $316.1 million as of such date. Approximately 66.7% of the aggregate cost was exposed to fluctuations in the Euro exchange rate at December 31, 2016. (Refer to Note 14, \textit{Fair Value Measurements and Derivative Instruments} and Note 15, \textit{Commitments and Contingencies} to our consolidated financial statements under Item 8, \textit{Financial Statements and Supplementary Data}).

As of December 31, 2016, anticipated overall capital expenditures, based on our existing ships on order, are approximately $0.6 billion for 2017, $2.6 billion for 2018, $1.5 billion for 2019 and $2.0 billion for 2020.
## Contractual Obligations

As of December 31, 2016, our contractual obligations were as follows (in thousands):

<table>
<thead>
<tr>
<th>Payments due by period</th>
<th>1 year</th>
<th>1-3 years</th>
<th>3-5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>$18,092,797</td>
<td>$1,746,053</td>
<td>$6,578,181</td>
<td>$5,716,588</td>
</tr>
<tr>
<td><strong>Operating Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating lease obligations (1)</td>
<td>$309,797</td>
<td>$20,749</td>
<td>$33,025</td>
<td>$24,135</td>
</tr>
<tr>
<td>Interest on long-term debt (2)</td>
<td>1,294,426</td>
<td>281,066</td>
<td>416,711</td>
<td>277,028</td>
</tr>
<tr>
<td>Other (3)</td>
<td>795,247</td>
<td>232,055</td>
<td>292,353</td>
<td>160,520</td>
</tr>
<tr>
<td><strong>Investing Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ship purchase obligations (4)</td>
<td>6,454,147</td>
<td>108,084</td>
<td>2,746,358</td>
<td>3,005,993</td>
</tr>
<tr>
<td><strong>Financing Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt obligations (5)</td>
<td>9,147,052</td>
<td>1,078,719</td>
<td>3,057,417</td>
<td>2,233,047</td>
</tr>
<tr>
<td>Capital lease obligations (6)</td>
<td>40,384</td>
<td>7,016</td>
<td>7,031</td>
<td>8,060</td>
</tr>
<tr>
<td>Other (7)</td>
<td>51,744</td>
<td>18,364</td>
<td>25,286</td>
<td>7,805</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$18,092,797</td>
<td>$1,746,053</td>
<td>$6,578,181</td>
<td>$5,716,588</td>
</tr>
</tbody>
</table>

(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) Long-term debt obligations mature at various dates through fiscal year 2028 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, 2016. Debt denominated in other currencies is calculated based on the applicable exchange rate at December 31, 2016.

(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. Amounts do not include the PortMiami lease further discussed below under Off-Balance Sheet Arrangements.

(4) Amounts do not include potential obligations which remain subject to cancellation at our sole discretion. In addition, amounts do not include the conditional agreements with Meyer Turku for the two "Project Icon" ships.

(5) Amounts represent debt obligations with initial terms in excess of one year. Debt denominated in other currencies is calculated based on the applicable exchange rate at December 31, 2016.

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

(7) 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 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. 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 repayment of 50% of a bank loan provided to TUI Cruises which is due 2022. Notwithstanding this, the lenders have agreed to release each shareholder’s guarantee in 2018. As of December 31, 2016, €116.3 million, or approximately $122.7 million based on the exchange rate at December 31, 2016, remains outstanding. Based on current facts and circumstances, we do not believe potential obligations under this guarantee 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 2021.

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 at PortMiami in Miami, Florida. The terminal is expected to be approximately 170,000 square feet and will serve as a homeport. During the construction period, SMBC will fund the costs of the terminal’s construction and land lease. Upon completion of the terminal's construction, we will operate and lease 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 upon completion of the terminal.

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, 2016, 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, 2016, we have approximately $1.7 billion in contractual obligations due through December 31, 2017 of which approximately $1.1 billion relates to long-term debt maturities, $108.1 million relates to progress payments on our ship purchases and $281.1 million relates to interest on long-term debt. 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.

We had a working capital deficit of $3.7 billion as of December 31, 2016 as compared to a working capital deficit of $3.5 billion as of December 31, 2015. Included within our working capital deficit is $1.3 billion and $899.5 million of current portion of debt, including capital leases, as of December 31, 2016 and December 31, 2015, respectively. The increase in working capital deficit was primarily due to the increase in current liabilities of our long-term debt and customer deposits. 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 and other cash from operations. The cash received as advanced receipts can be used to fund operating expenses for the applicable future sailing or otherwise, pay down our revolving credit facilities, 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, 2016, we had liquidity of $980.6 million, consisting of approximately $132.6 million in cash and cash equivalents and $848.0 million available under our unsecured credit facilities. 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 12-month period.
In October 2015, our board of directors authorized a common stock repurchase program for up to $500 million that was completed in August 2016. During 2016, we purchased 4.1 million shares for a total of $300.0 million in open market transactions. These transactions were recorded within Treasury stock in our consolidated balance sheet. Our repurchases under this program, including the 2.1 million shares repurchased for $200.0 million during the fourth quarter of 2015, totaled $500.0 million.

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 the Board is no longer comprised of individuals who were members of the Board 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 financial covenants that require us, among other things, to maintain minimum net worth of at least $7.2 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 are well in excess of all financial covenant requirements as of December 31, 2016. 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 2016, we declared a cash dividend on our common stock of $0.48 per share which was paid in the first quarter of 2017. We declared a cash dividend on our common stock of $0.48 per share during the third quarter of 2016 which was paid in the fourth quarter of 2016. During the first and second quarters of 2016, we declared and paid a cash dividend on our common stock of $0.375 per share. During the first quarter of 2016, we also paid a cash dividend on our common stock of $0.375 per share which was declared during the fourth quarter of 2015.
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 manage 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, we do not hold or issue derivative financial instruments for trading or other speculative purposes. We monitor our derivative positions using techniques including market valuations and sensitivity analyses. (Refer to Note 14. 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, 2016, approximately 40.5% of our long-term debt was effectively fixed as compared to 31.2% as of December 31, 2015. 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, 2016 and December 31, 2015, we maintained interest rate swap agreements on the following fixed-rate debt instruments:

<table>
<thead>
<tr>
<th>Debt Instrument</th>
<th>Swap Notional as of December 31, 2016 (In thousands)</th>
<th>Maturity</th>
<th>Debt Fixed Rate</th>
<th>Swap Floating Rate: LIBOR plus</th>
<th>All-in Swap Floating Rate as of December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oasis of the Seas term loan</td>
<td>$175,000</td>
<td>October 2021</td>
<td>5.41%</td>
<td>3.87%</td>
<td>5.13%</td>
</tr>
<tr>
<td>Unsecured senior notes</td>
<td>$650,000</td>
<td>November 2022</td>
<td>5.25%</td>
<td>3.63%</td>
<td>4.54%</td>
</tr>
<tr>
<td></td>
<td>$825,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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, 2016 was $1.6 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 $16.2 million as of December 31, 2016, based on the present value of expected future cash flows. A hypothetical one percentage point decrease in interest rates at December 31, 2016 would increase the fair value of our hedged and unhedged long-term fixed-rate debt by approximately $83.4 million and would increase the fair value of our fixed to floating interest rate swap agreements by approximately $39.8 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 2017 interest expense by approximately $42.7 million, assuming no change in foreign currency exchange rates.

At December 31, 2016 and December 31, 2015, we maintained interest rate swap agreements on the following floating-rate debt instruments:
<table>
<thead>
<tr>
<th>Debt Instrument</th>
<th>Swap Notional as of December 31, 2016 (In thousands)</th>
<th>Maturity</th>
<th>Debt Floating Rate</th>
<th>All-in Swap Fixed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Celebrity Reflection</td>
<td>436,333</td>
<td>October 2024</td>
<td>LIBOR plus 0.40%</td>
<td>2.85%</td>
</tr>
<tr>
<td>Quantum of the Seas</td>
<td>612,500</td>
<td>October 2026</td>
<td>LIBOR plus 1.30%</td>
<td>3.74%</td>
</tr>
<tr>
<td>Anthem of the Seas</td>
<td>634,375</td>
<td>April 2027</td>
<td>LIBOR plus 1.30%</td>
<td>3.86%</td>
</tr>
<tr>
<td>Ovation of the Seas</td>
<td>795,417</td>
<td>April 2028</td>
<td>LIBOR plus 1.00%</td>
<td>3.16%</td>
</tr>
<tr>
<td>Harmony of the Seas</td>
<td>701,056</td>
<td>May 2028</td>
<td>EURIBOR plus 1.15%</td>
<td>2.26%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,179,681</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(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, 2016.

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 a liability of $42.8 million as of December 31, 2016 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. We enter into foreign currency forward contracts, collar options and cross-currency swap agreements to manage portions of the exposure to movements in foreign currency exchange rates.

The estimated fair value, as of December 31, 2016 , of our Euro-denominated forward contracts associated with our ship construction contracts was a liability of $73.7 million , based on the present value of expected future cash flows. As of December 31, 2016 , the aggregate cost of our ships on order, not including the TUI Cruises' ships on order and those subject to conditions to effectiveness, was approximately $8.4 billion , of which we had deposited $316.1 million as of such date. Approximately 66.7% and 58.2% of the aggregate cost of the ships under construction was exposed to fluctuations in the Euro exchange rate at December 31, 2016 and December 31, 2015 , respectively. A hypothetical 10% strengthening of the Euro as of December 31, 2016 , assuming no changes in comparative interest rates, would result in a $558.0 million increase in the United States dollar cost of the foreign currency denominated ship construction contracts exposed to fluctuations in the Euro exchange rate. The majority of our foreign currency forward contracts, collar options and cross-currency swap agreements are accounted for as cash flow, fair value 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. We partially mitigate the exposure of our investments in foreign operations by designating 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 in TUI Cruises of approximately €295.0

63
million, or approximately $311.2 million, through December 31, 2016. As of December 31, 2015, no debt was designated as a hedge of our net investments in Pullmantur and TUI Cruises. We have included approximately $114.0 million and $104.5 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, 2016 and December 31, 2015, respectively.

Lastly, on a regular basis, we enter into foreign currency forward contracts and, from time to time, we utilize cross-currency swap agreements 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 2016, we maintained an average of approximately $642.4 million of these foreign currency forward contracts. These instruments are not designated as hedging instruments. In 2016, 2015 and 2014 changes in the fair value of the foreign currency forward contracts were losses of approximately $51.1 million, $55.5 million and $48.6 million, respectively, which offset gains arising from the remeasurement of monetary assets and liabilities denominated in foreign currencies in those same years of $39.8 million, $34.6 million and $49.5 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 8.4% in 2016, 9.6% in 2015 and 11.7% in 2014. We use fuel swap agreements to mitigate the financial impact of fluctuations in fuel prices.

As of December 31, 2016, we had fuel swap agreements to pay fixed prices for fuel with an aggregate notional amount of approximately $1.0 billion, maturing through 2020. The fuel swap agreements represented 60% of our projected 2017 fuel requirements, 44% of our projected 2018 fuel requirements, 35% of our projected 2019 fuel requirements and 20% of our projected 2020 fuel requirements. These fuel swap agreements are generally accounted for as cash flow hedges. The estimated fair value of these contracts at December 31, 2016 was estimated to be a liability of $227.9 million. We estimate that a hypothetical 10% increase in our weighted-average fuel price from that experienced during the year ended December 31, 2016 would increase our forecasted 2017 fuel cost by approximately $30.0 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.
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 SEC’s 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 ("COSO") of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2016. The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, the independent registered certified 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, 2016 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.
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 the Royal Caribbean Cruises Ltd. Definitive Proxy Statement relating to our 2017 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 regarding our corporate governance: "Corporate Governance"; "Proposal 1—Election of Directors"; and "Certain Relationships and Related Person Transactions." Copies of the Proxy Statement will become available when filed through our Investor Relations website at www.rclinvestor.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.rclinvestor.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.rclinvestor.com. None of the websites referenced in this Annual Report on Form 10-K or the information contained therein is incorporated herein by reference.
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

The exhibits listed on the accompanying Index to Exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K and such Index to Exhibits is hereby incorporated herein by reference.

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  Chief Financial Officer
(Principal Financial Officer and duly authorized signatory)

February 23, 2017

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 23, 2017.

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

/s/ JASON T. LIBERTY
Jason T. Liberty
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

* 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
# INDEX TO EXHIBITS

Exhibits 10.15 through 10.43 represent management compensatory plans or arrangements.

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Exhibit Description</th>
<th>Incorporated By Reference</th>
<th>Form</th>
<th>Exhibit</th>
<th>Filing Date/ Period End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Restated Articles of Incorporation of the Company, as amended (composite)</td>
<td>S-3</td>
<td>3.1</td>
<td>3/23/2009</td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>Amended and Restated By-Laws of the Company</td>
<td>8-K</td>
<td>3.1</td>
<td>9/11/2013</td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>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</td>
<td>20-F</td>
<td>2.11</td>
<td>12/31/1997</td>
<td></td>
</tr>
<tr>
<td>4.3</td>
<td>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</td>
<td>S-3</td>
<td>4.1</td>
<td>7/31/2006</td>
<td></td>
</tr>
<tr>
<td>4.4</td>
<td>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</td>
<td>8-K</td>
<td>4.1</td>
<td>11/7/2012</td>
<td></td>
</tr>
<tr>
<td>10.1</td>
<td>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.</td>
<td>20-F</td>
<td>2.20</td>
<td>12/31/1997</td>
<td></td>
</tr>
<tr>
<td>10.2</td>
<td>Amendment to the Amended and Restated Credit Agreement, dated as of June 15, 2015, by and among the Company, The Bank of Nova Scotia, as administrative agent for the lender parties and the lender parties</td>
<td>8-K</td>
<td>10.1</td>
<td>6/19/2015</td>
<td></td>
</tr>
<tr>
<td>10.3</td>
<td>Assignment and Amendment to the Credit Agreement, dated as of August 23, 2013, by and among the Company, Nordea Bank Finland plc, New York Branch, as administrative agent for the lender parties and the lender parties</td>
<td>8-K</td>
<td>10.1</td>
<td>8/26/2013</td>
<td></td>
</tr>
<tr>
<td>10.4</td>
<td>Amendment No. 1 to the Amended and Restated Credit Agreement, dated as of July 10, 2015, by and among the Company Nordea Bank Finland Plc, New York Branch, as administrative agent for the lender parties and the lender parties</td>
<td>10-Q</td>
<td>10.2</td>
<td>6/30/2015</td>
<td></td>
</tr>
<tr>
<td>10.5</td>
<td>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</td>
<td>10-K</td>
<td>10.7</td>
<td>12/31/2015</td>
<td></td>
</tr>
<tr>
<td>10.6</td>
<td>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</td>
<td>10-K</td>
<td>10.8</td>
<td>12/31/2015</td>
<td></td>
</tr>
<tr>
<td>10.7</td>
<td>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</td>
<td>10-Q</td>
<td>10.1</td>
<td>3/31/2016</td>
<td></td>
</tr>
<tr>
<td>10.8</td>
<td>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</td>
<td>10-K</td>
<td>10.10</td>
<td>12/31/2015</td>
<td></td>
</tr>
<tr>
<td>10.9</td>
<td>Novation Agreement, dated as of January 30, 2015, by and between Frosaitomi Finance Ltd. the Company, Citibank International Limited, Citicorp Trustee Company Limited, Citibank N.A., London Branch and the banks and financial institutions as a lender parties thereto</td>
<td>8-K</td>
<td>10.1</td>
<td>2/5/2015</td>
<td></td>
</tr>
<tr>
<td>Exhibit Number</td>
<td>Exhibit Description</td>
<td>Form</td>
<td>Exhibit</td>
<td>Filing Date/ Period End Date</td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>------</td>
<td>---------</td>
<td>-----------------------------</td>
<td></td>
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<tr>
<td>10.10</td>
<td>Form of Hull No. B34 Novated Credit Agreement (as amended and restated on February 8, 2017)*</td>
<td>8-K</td>
<td>10.1</td>
<td>11/19/2015</td>
<td></td>
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<tr>
<td>10.11</td>
<td>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.</td>
<td>8-K</td>
<td>10.2</td>
<td>11/19/2015</td>
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<tr>
<td>10.12</td>
<td>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.</td>
<td>8-K</td>
<td>10.1</td>
<td>6/28/2016</td>
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<tr>
<td>10.16</td>
<td>Amendment No. 1 to 2000 Stock Award Plan</td>
<td>8-K</td>
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<td>12/31/2012</td>
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<tr>
<td>10.17</td>
<td>Royal Caribbean Cruises Ltd. 2008 Equity Incentive Plan (as amended)*</td>
<td>10-Q</td>
<td>10.3</td>
<td>9/30/2008</td>
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<tr>
<td>10.18</td>
<td>Form of 2008 Equity Incentive Plan Stock Option Award Agreement—Incentive Options</td>
<td>10-Q</td>
<td>10.4</td>
<td>9/30/2008</td>
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<tr>
<td>10.19</td>
<td>Form of 2008 Equity Incentive Plan Stock Option Award Agreement—Nonqualified Options</td>
<td>10-K</td>
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<td>12/31/2013</td>
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<tr>
<td>10.20</td>
<td>Form of 2008 Equity Incentive Plan Restricted Stock Unit Agreement - Executive Officer Grants</td>
<td>10-K</td>
<td>10.31</td>
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<td>10.21</td>
<td>Form of 2008 Equity Incentive Plan Restricted Stock Unit Agreement—Director Grants</td>
<td>10-K</td>
<td>10.27</td>
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<td>10.22</td>
<td>Form of 2008 Equity Incentive Plan Performance Shares Agreement</td>
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<tr>
<td>10.23</td>
<td>Form of 2008 Equity Incentive Plan Performance-Based Restricted Shares Agreement</td>
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<td>10.3</td>
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<tr>
<td>10.25</td>
<td>Employment Agreement, dated as of December 31, 2012, by and between the Company and Adam M. Goldstein</td>
<td>10-K</td>
<td>10.23</td>
<td>12/31/2012</td>
<td></td>
</tr>
<tr>
<td>10.27</td>
<td>Employment Agreement, dated as of May 20, 2013, by and between the Company and Jason T. Liberty</td>
<td>10-Q</td>
<td>10.20</td>
<td>6/30/2013</td>
<td></td>
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<tr>
<td>10.28</td>
<td>Employment Agreement, dated as of July 16, 2015, by and between the Company and Michael W. Bayley</td>
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<td>10.3</td>
<td>6/30/2015</td>
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</tr>
<tr>
<td>10.29</td>
<td>Form of First Amendment to Employment Agreement, dated as of February 6, 2015 (entered into between the Company and each of Messrs. Fain, Goldstein, Kulovaara and Liberty)</td>
<td>10-K</td>
<td>10.3</td>
<td>12/31/2014</td>
<td></td>
</tr>
<tr>
<td>10.30</td>
<td>Employment Agreement dated as of August 3, 2015, by and between Celebrity Cruises Inc. and Lisa Lutoff-Perlo*</td>
<td>70</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Exhibit Number</td>
<td>Exhibit Description</td>
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<td>Exhibit</td>
<td>Filing Date/Period</td>
<td>End Date</td>
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<tr>
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<tr>
<td>10.32</td>
<td>Royal Caribbean Cruises Ltd. Executive Short-Term Bonus Plan</td>
<td>10-Q</td>
<td>10.4</td>
<td>6/30/2015</td>
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<td>10.33</td>
<td>Royal Caribbean Cruises Ltd. et. al. Non Qualified 401(k) Plan</td>
<td>8-K</td>
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<td>10.34</td>
<td>Amendment to Royal Caribbean Cruises Ltd. et. al. Non Qualified 401(k) Plan</td>
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<td>10.29</td>
<td>12/31/2006</td>
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<td>10.35</td>
<td>Amendment to Royal Caribbean Cruises Ltd. et. al. Non Qualified 401(k) Plan</td>
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<td>10.28</td>
<td>12/31/2007</td>
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<tr>
<td>10.36</td>
<td>Amendment to Royal Caribbean Cruises Ltd. et. al. Non Qualified 401(k) Plan</td>
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<td>10.36</td>
<td>12/31/2008</td>
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<tr>
<td>10.37</td>
<td>Royal Caribbean Cruises Ltd. Supplemental Executive Retirement Plan</td>
<td>8-K</td>
<td>10.3</td>
<td>12/8/2005</td>
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<tr>
<td>10.38</td>
<td>Amendment to Royal Caribbean Cruises Ltd. Supplemental Executive Retirement Plan</td>
<td>10-K</td>
<td>10.31</td>
<td>12/31/2006</td>
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<td>10.40</td>
<td>Amendment to Royal Caribbean Cruises Ltd. Supplemental Executive Retirement Plan</td>
<td>10-Q</td>
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<td>10.41</td>
<td>Amendment to Royal Caribbean Cruises Ltd. Supplemental Executive Retirement Plan</td>
<td>10-K</td>
<td>10.38</td>
<td>12/31/2008</td>
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<tr>
<td>10.42</td>
<td>Summary of Royal Caribbean Cruises Ltd. Board of Directors Compensation*</td>
<td>10-K</td>
<td>10.35</td>
<td>12/31/2013</td>
<td></td>
</tr>
<tr>
<td>10.43</td>
<td>Cruise Policy for Members of the Board of Directors of the Company</td>
<td>10-K</td>
<td>10.35</td>
<td>12/31/2013</td>
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<tr>
<td>12.1</td>
<td>Statement regarding computation of fixed charge coverage ratio*</td>
<td></td>
<td></td>
<td></td>
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<td>18.1</td>
<td>Preferability Letter Regarding Change in Accounting Principle*</td>
<td></td>
<td></td>
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<tr>
<td>21.1</td>
<td>List of Subsidiaries*</td>
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<td></td>
<td></td>
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<tr>
<td>21.2</td>
<td>Consent of PricewaterhouseCoopers LLP, an independent registered certified public accounting firm*</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23.1</td>
<td>Consent of Drinker Biddle &amp; Reath LLP*</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>23.2</td>
<td>Consent of Drinker Biddle &amp; Reath LLP*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24.1</td>
<td>Power of Attorney*</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>31.1</td>
<td>Certification of Richard D. Fain required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934*</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>31.2</td>
<td>Certification of Jason T. Liberty required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32.1</td>
<td>Certification of Richard D. Fain and Jason T. Liberty pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*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, 2016, as filed with the SEC on February 23, 2017, formatted in XBRL, as follows:
   (i) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2016, 2015 and 2014;
   (ii) the Consolidated Balance Sheets at December 31, 2016 and 2015;
   (iii) the Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014;
   (iv) the Consolidated Statements of Shareholders' Equity for the years ended December 31, 2016, 2015 and 2014; and
   (v) the Notes to the Consolidated Financial Statements, tagged in summary and detail.
## Table of Contents

ROYAL CARIBBEAN CRUISES LTD.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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<th>Page</th>
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<td>Report of Independent Registered Certified Public Accounting Firm</td>
<td>F-2</td>
</tr>
<tr>
<td>Consolidated Statements of Comprehensive Income (Loss)</td>
<td>F-3</td>
</tr>
<tr>
<td>Consolidated Balance Sheets</td>
<td>F-4</td>
</tr>
<tr>
<td>Consolidated Statements of Cash Flows</td>
<td>F-5</td>
</tr>
<tr>
<td>Consolidated Statements of Shareholders' Equity</td>
<td>F-7</td>
</tr>
<tr>
<td>Notes to the Consolidated Financial Statements</td>
<td>F-8</td>
</tr>
</tbody>
</table>
In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive income (loss), of shareholders’
equity and of cash flows present fairly, in all material respects, the financial position of Royal Caribbean Cruises Ltd. and its subsidiaries at December 31, 2016
and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 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, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of
Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these 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 these financial statements and on the
Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public
Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether
the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects.
Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing
the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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 discussed in Notes 1 and 2 to the consolidated financial statements, the Company changed the manner in which it accounts for the consolidation of
Pullmantur Holdings and the manner in which it classifies debt issuance costs in 2016.

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
PricewaterhouseCoopers LLP
Miami, Florida
February 23, 2017
# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

## Year Ended December 31,

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands, except per share data)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger ticket revenues</td>
<td>$6,149,323</td>
<td>$6,058,821</td>
<td>$5,893,847</td>
</tr>
<tr>
<td>Onboard and other revenues</td>
<td>2,347,078</td>
<td>2,240,253</td>
<td>2,180,008</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>8,496,401</td>
<td>8,299,074</td>
<td>8,073,855</td>
</tr>
<tr>
<td>Cruise operating expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commissions, transportation and other</td>
<td>1,349,677</td>
<td>1,400,778</td>
<td>1,372,785</td>
</tr>
<tr>
<td>Onboard and other</td>
<td>493,558</td>
<td>553,104</td>
<td>582,750</td>
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<tr>
<td>Payroll and related</td>
<td>882,891</td>
<td>861,775</td>
<td>847,641</td>
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<tr>
<td>Food</td>
<td>485,673</td>
<td>480,009</td>
<td>478,130</td>
</tr>
<tr>
<td>Fuel</td>
<td>713,676</td>
<td>795,801</td>
<td>947,391</td>
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<tr>
<td><strong>Other operating</strong></td>
<td>1,090,064</td>
<td>1,007,926</td>
<td>1,077,584</td>
</tr>
<tr>
<td><strong>Total cruise operating expenses</strong></td>
<td>5,015,539</td>
<td>5,099,393</td>
<td>5,306,281</td>
</tr>
<tr>
<td>Marketing, selling and administrative expenses</td>
<td>1,100,290</td>
<td>1,086,504</td>
<td>1,048,952</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>894,915</td>
<td>827,008</td>
<td>772,445</td>
</tr>
<tr>
<td>Impairment of Pullmantur related assets</td>
<td>—</td>
<td>411,267</td>
<td>—</td>
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<tr>
<td><strong>Restructuring charges</strong></td>
<td>8,452</td>
<td>—</td>
<td>4,318</td>
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<tr>
<td><strong>Operating Income</strong></td>
<td>7,019,196</td>
<td>7,424,172</td>
<td>7,131,996</td>
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</table>

**Other income (expense):**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>20,856</td>
<td>12,025</td>
<td>10,344</td>
</tr>
<tr>
<td>Interest expense, net of interest capitalized</td>
<td>(307,370)</td>
<td>(277,725)</td>
<td>(258,299)</td>
</tr>
<tr>
<td>Equity investment income</td>
<td>128,350</td>
<td>81,026</td>
<td>51,640</td>
</tr>
<tr>
<td><strong>Other (expense) income</strong></td>
<td>(35,653)</td>
<td>(24,445)</td>
<td>18,602</td>
</tr>
<tr>
<td><strong>Total other income</strong></td>
<td>(193,817)</td>
<td>(209,119)</td>
<td>(177,713)</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$1,283,388</td>
<td>$665,783</td>
<td>$764,146</td>
</tr>
</tbody>
</table>

**Basic Earnings per Share:**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Net income</td>
<td>$5.96</td>
<td>$3.03</td>
<td>$3.45</td>
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**Diluted Earnings per Share:**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$5.93</td>
<td>$3.02</td>
<td>$3.43</td>
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</table>

**Comprehensive Income (Loss):**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>$1,283,388</td>
<td>$665,783</td>
<td>$764,146</td>
</tr>
<tr>
<td>Other comprehensive income (loss):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>2,362</td>
<td>(30,152)</td>
<td>(26,102)</td>
</tr>
<tr>
<td>Change in defined benefit plans</td>
<td>(1,636)</td>
<td>4,760</td>
<td>(7,213)</td>
</tr>
<tr>
<td>Gain (loss) on cash flow derivative hedges</td>
<td>411,223</td>
<td>(406,047)</td>
<td>(869,350)</td>
</tr>
<tr>
<td><strong>Total other comprehensive income (loss)</strong></td>
<td>411,949</td>
<td>(431,439)</td>
<td>(902,665)</td>
</tr>
<tr>
<td><strong>Comprehensive Income (Loss)</strong></td>
<td>$1,695,337</td>
<td>$234,344</td>
<td>$(138,519)</td>
</tr>
</tbody>
</table>

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(1) Including a $21.7 million loss related to the 2016 elimination of the Pullmantur reporting lag, a net deferred tax benefit of $12.0 million related to the 2015 Pullmantur impairment and a deferred tax benefit of $33.5 million related to the 2014 reversal of a valuation allowance.

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

F-3
# ROYAL CARIBBEAN CRUISES LTD.

## CONSOLIDATED BALANCE SHEETS

As of December 31, 2016  
<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands, except share data)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$132,603</td>
<td>$121,565</td>
</tr>
<tr>
<td>Trade and other receivables, net</td>
<td>291,899</td>
<td>238,972</td>
</tr>
<tr>
<td>Inventories</td>
<td>114,087</td>
<td>121,332</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>209,716</td>
<td>220,579</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>—</td>
<td>134,574</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$748,305</td>
<td>$837,022</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>20,161,427</td>
<td>18,777,778</td>
</tr>
<tr>
<td>Goodwill</td>
<td>288,386</td>
<td>286,764</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,112,206</td>
<td>880,479</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$22,310,324</td>
<td>$20,782,043</td>
</tr>
<tr>
<td><strong>Liabilities and Shareholders' Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>$1,285,735</td>
<td>$899,542</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>305,313</td>
<td>302,072</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>46,166</td>
<td>38,325</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>692,322</td>
<td>658,601</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>146,592</td>
<td>651,866</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>1,965,473</td>
<td>1,742,286</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>$4,441,601</td>
<td>$4,292,692</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>8,101,701</td>
<td>7,627,701</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>645,610</td>
<td>798,611</td>
</tr>
<tr>
<td>Commitments and contingencies (Note 15)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Shareholders' equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock ($0.01 par value; 20,000,000 shares authorized; none outstanding)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock ($0.01 par value; 500,000,000 shares authorized; 234,613,486 and 233,905,166 shares issued, December 31, 2016 and December 31, 2015, respectively)</td>
<td>2,346</td>
<td>2,339</td>
</tr>
<tr>
<td>Paid-in capital</td>
<td>3,328,517</td>
<td>3,297,619</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>7,860,341</td>
<td>6,944,862</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(916,484)</td>
<td>(1,328,433)</td>
</tr>
<tr>
<td>Treasury stock (20,019,237 and 15,911,971 common shares at cost, December 31, 2016 and December 31, 2015, respectively)</td>
<td>(1,153,308)</td>
<td>(853,348)</td>
</tr>
<tr>
<td><strong>Total shareholders' equity</strong></td>
<td>9,121,412</td>
<td>8,063,039</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders' equity</strong></td>
<td>$22,310,324</td>
<td>$20,782,043</td>
</tr>
</tbody>
</table>

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

F-4
## CONSOLIDATED STATEMENTS OF CASH FLOWS

### Year Ended December 31, 

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$1,283,388</td>
<td>$665,783</td>
<td>$764,146</td>
</tr>
<tr>
<td><strong>Adjustments:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>894,915</td>
<td>827,008</td>
<td>772,445</td>
</tr>
<tr>
<td>Impairment of Pullmantur related assets</td>
<td>—</td>
<td>411,267</td>
<td>—</td>
</tr>
<tr>
<td>Net deferred income tax expense (benefit)</td>
<td>2,608</td>
<td>(10,001)</td>
<td>(41,003)</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>32,659</td>
<td>52,153</td>
<td>54,993</td>
</tr>
<tr>
<td>Equity investment income</td>
<td>(128,350)</td>
<td>(81,026)</td>
<td>(51,640)</td>
</tr>
<tr>
<td>Amortization of debt issuance costs</td>
<td>52,795</td>
<td>52,153</td>
<td>54,993</td>
</tr>
<tr>
<td>Loss on sale of property and equipment</td>
<td>—</td>
<td>—</td>
<td>17,401</td>
</tr>
<tr>
<td>Loss on derivative instruments not designated as hedges</td>
<td>45,670</td>
<td>59,162</td>
<td>48,637</td>
</tr>
</tbody>
</table>

Changes in operating assets and liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in trade and other receivables, net</td>
<td>4,759</td>
<td>63,102</td>
<td>100,095</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>(1,679)</td>
<td>1,197</td>
<td>26,254</td>
</tr>
<tr>
<td>Decrease (increase) in prepaid expenses and other assets</td>
<td>11,519</td>
<td>(2,262)</td>
<td>21,234</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable</td>
<td>29,564</td>
<td>(25,278)</td>
<td>(40,651)</td>
</tr>
<tr>
<td>Increase (decrease) in accrued interest</td>
<td>7,841</td>
<td>(10,749)</td>
<td>(53,951)</td>
</tr>
<tr>
<td>Increase in accrued expenses and other liabilities</td>
<td>20,718</td>
<td>33,859</td>
<td>62,019</td>
</tr>
<tr>
<td>Increase (decrease) in customer deposits</td>
<td>188,632</td>
<td>(92,849)</td>
<td>14,885</td>
</tr>
<tr>
<td>Dividends received from unconsolidated affiliates</td>
<td>75,942</td>
<td>33,338</td>
<td>5,814</td>
</tr>
<tr>
<td>Other, net</td>
<td>(4,291)</td>
<td>(14,411)</td>
<td>16,965</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities: 2,516,690

### Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of property and equipment</td>
<td>(2,494,363)</td>
<td>(1,613,340)</td>
<td>(1,811,398)</td>
</tr>
<tr>
<td>Cash paid on settlement of derivative financial instruments</td>
<td>(213,202)</td>
<td>(178,597)</td>
<td>(68,098)</td>
</tr>
<tr>
<td>Investments in and loans to unconsolidated affiliates</td>
<td>(9,155)</td>
<td>(56,163)</td>
<td>(188,595)</td>
</tr>
<tr>
<td>Cash received on loans to unconsolidated affiliates</td>
<td>38,213</td>
<td>124,253</td>
<td>76,167</td>
</tr>
<tr>
<td>Proceeds from sale of property and equipment</td>
<td>—</td>
<td>—</td>
<td>220,000</td>
</tr>
<tr>
<td>Other, net (1)</td>
<td>(46,385)</td>
<td>(19,128)</td>
<td>1,546</td>
</tr>
</tbody>
</table>

Net cash used in investing activities: (2,724,892)

### Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt proceeds</td>
<td>7,338,560</td>
<td>4,399,501</td>
<td>4,153,958</td>
</tr>
<tr>
<td>Debt issuance costs</td>
<td>(88,241)</td>
<td>(68,020)</td>
<td>(72,974)</td>
</tr>
<tr>
<td>Repayments of debt</td>
<td>(6,365,570)</td>
<td>(4,118,553)</td>
<td>(3,724,218)</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(299,960)</td>
<td>(200,000)</td>
<td>(236,074)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(346,487)</td>
<td>(280,212)</td>
<td>(198,952)</td>
</tr>
<tr>
<td>Proceeds from exercise of common stock options</td>
<td>2,258</td>
<td>11,252</td>
<td>70,879</td>
</tr>
<tr>
<td>Cash received on settlement of derivative financial instruments</td>
<td>—</td>
<td>—</td>
<td>22,835</td>
</tr>
<tr>
<td>Other, net</td>
<td>3,249</td>
<td>2,520</td>
<td>2,026</td>
</tr>
</tbody>
</table>

Net cash provided by (used in) financing activities: 243,809

Effect of exchange rate changes on cash: (24,569)

The accompanying notes are an integral part of these consolidated financial statements.
<table>
<thead>
<tr>
<th>Table of Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
</tr>
</tbody>
</table>

### Supplemental Disclosures

Cash paid during the year for:

| Interest, net of amount capitalized | $ 256,775 | $ 248,611 | $ 276,933 |

### Non-Cash Investing Activities

Notes receivable issued upon sale of property and equipment | $ 213,042 | $ — | $ — |

(1) Amount includes $26.0 million in 2016 related to cash included in the divestiture of Pullmantur Holdings (formerly known as Royal Caribbean Holdings de España S.L. or RCHE).

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

F-6
## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<table>
<thead>
<tr>
<th></th>
<th>Common Stock</th>
<th>Paid-in Capital</th>
<th>Retained Earnings</th>
<th>Accumulated Other Comprehensive Income (Loss)</th>
<th>Treasury Stock</th>
<th>Total Shareholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balances at January 1, 2014</strong></td>
<td>$2,308</td>
<td>$3,159,038</td>
<td>$6,054,952</td>
<td>$5,671</td>
<td>$(413,704)</td>
<td>$8,808,265</td>
</tr>
<tr>
<td>Issuance under employee related plans</td>
<td>23</td>
<td>94,514</td>
<td></td>
<td></td>
<td></td>
<td>94,537</td>
</tr>
<tr>
<td>Common Stock dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(243,550)</td>
</tr>
<tr>
<td>Dividends declared by non-controlling interest <em>(1)</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(300)</td>
</tr>
<tr>
<td>Changes related to cash flow derivative hedges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(869,350)</td>
</tr>
<tr>
<td>Change in defined benefit plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(7,213)</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(26,102)</td>
</tr>
<tr>
<td>Purchase of Treasury Stock</td>
<td></td>
<td></td>
<td></td>
<td>(236,074)</td>
<td></td>
<td>(236,074)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>764,146</td>
</tr>
<tr>
<td><strong>Balances at December 31, 2014</strong></td>
<td>2,331</td>
<td>3,253,552</td>
<td>6,575,248</td>
<td>(896,994)</td>
<td>(649,778)</td>
<td>8,284,359</td>
</tr>
<tr>
<td>Issuance under employee related plans</td>
<td>8</td>
<td>40,497</td>
<td></td>
<td></td>
<td></td>
<td>40,505</td>
</tr>
<tr>
<td>Common Stock dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(296,169)</td>
</tr>
<tr>
<td>Changes related to cash flow derivative hedges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(406,047)</td>
</tr>
<tr>
<td>Change in defined benefit plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,760</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(30,152)</td>
</tr>
<tr>
<td>Purchases of Treasury Stock</td>
<td></td>
<td>3,570</td>
<td></td>
<td></td>
<td></td>
<td>(200,000)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>665,783</td>
</tr>
<tr>
<td><strong>Balances at December 31, 2015</strong></td>
<td>2,339</td>
<td>3,297,619</td>
<td>6,944,862</td>
<td>(1,328,433)</td>
<td>(853,348)</td>
<td>8,063,039</td>
</tr>
<tr>
<td>Issuance under employee related plans</td>
<td>7</td>
<td>30,898</td>
<td></td>
<td></td>
<td></td>
<td>30,905</td>
</tr>
<tr>
<td>Common Stock dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(367,909)</td>
</tr>
<tr>
<td>Changes related to cash flow derivative hedges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>411,223</td>
</tr>
<tr>
<td>Change in defined benefit plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1,636)</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,362</td>
</tr>
<tr>
<td>Purchases of Treasury Stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(299,960)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,283,388</td>
</tr>
<tr>
<td><strong>Balances at December 31, 2016</strong></td>
<td>$2,346</td>
<td>$3,328,517</td>
<td>$7,860,341</td>
<td>$(916,484)</td>
<td>$(1,153,308)</td>
<td>$9,121,412</td>
</tr>
</tbody>
</table>

*(1) Dividends declared by Falmouth Land Company Limited to its non-controlling shareholder.*

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

F-7
**Note 1. General Description of Business**

We are a global cruise company. We own and operate three global cruise brands: Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises. We also own a 50% joint venture interest in the German brand TUI Cruises, a 49% interest in the Spanish brand Pullmantur and have a minority interest in the Chinese brand SkySea Cruises. Together, our Global Brands and our Partner Brands operate a combined 49 ships as of December 31, 2016. Our ships operate on a selection of worldwide itineraries that call on approximately 535 destinations on all seven continents.

Effective July 31, 2016, we sold 51% of our interest in Pullmantur Holdings (formerly known as Royal Caribbean Holdings de España S.L. or "RCHE"), the parent company of the Pullmantur brand. We retain a 49% interest in Pullmantur Holdings as well as full ownership of the four vessels currently operated by the Pullmantur brand under bareboat charter arrangements. We account for the bareboat charters of the vessels to Pullmantur Holdings as operating leases. We also provide certain ship management services to Pullmantur Holdings. We recognized an immaterial gain on the sale of our majority interest in Pullmantur Holdings. In addition, we also continue to retain full ownership of the aircraft, which were not impacted by this sale transaction. Effective August 2016, we no longer consolidate Pullmantur Holdings in our consolidated financial statements and our investment in the company is accounted for under the equity method of accounting. Refer to Note 6. Other Assets for further information on our retained interest in Pullmantur Holdings. The sale did not represent a strategic shift that will have a major effect on our operations and financial results, as we continue to provide similar itineraries to and source passengers from the markets served by the Pullmantur business. Therefore, the sale of Pullmantur Holdings did not meet the criteria for discontinued operations reporting.

**Basis for Preparation of Consolidated Financial Statements**

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Estimates are required for the preparation of financial statements in accordance with these principles. Actual results could differ from these estimates. Refer to Note 2. Summary of Significant Accounting Policies for a discussion of our significant accounting policies.

All significant intercompany accounts and transactions are eliminated in consolidation. We consolidate entities over which we have control, usually evidenced by a direct ownership interest of greater than 50%, and variable interest entities where we are determined to be the primary beneficiary. Refer to Note 6. Other Assets for further information regarding our variable interest entities. For affiliates we do not control but over which we have significant influence on financial and operating policies, usually evidenced by a direct ownership interest from 20% to 50%, the investment is accounted for using the equity method.

Prior to January 1, 2016, we consolidated the operating results of Pullmantur Holdings on a two-month reporting lag to allow for more timely preparation of our consolidated financial statements. Effective January 1, 2016, we eliminated the two-month reporting lag to reflect Pullmantur Holdings' financial position, results of operations and cash flows concurrently and consistently with the fiscal calendar of the Company ("elimination of the Pullmantur reporting lag"). The elimination of the Pullmantur reporting lag represented a change in accounting principle which we believed to be preferable because it provided more current information to the users of our financial statements. A change in accounting principle requires retrospective application, if material. The impact of the elimination of the reporting lag was immaterial to prior periods and is immaterial for our fiscal year ended December 31, 2016. As a result, we have accounted for this change in accounting principle in our consolidated results for the year ended December 31, 2016. Accordingly, the results of Pullmantur Holdings for November and December 2015 are included in our statement of comprehensive income (loss) for the year ended December 31, 2016. The effect of this change was a decrease to net income of $21.7 million, which has been reported within Other income in our consolidated statements of comprehensive income (loss) for the year ended December 31, 2016.

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Note 2. Summary of Significant Accounting Policies

Revenues and Expenses

Deposits received on sales of passenger cruises are initially recorded as customer deposit liabilities on our balance sheet. Customer deposits are subsequently recognized as passenger ticket revenues, together with revenues from onboard and other goods and services and all associated cruise operating expenses of a voyage.

Historically, we recognized revenues and cruise operating expenses for our shorter voyages (voyages of ten days or less) upon voyage completion while we recognized revenues and cruise operating expenses for voyages in excess of ten days on a pro-rata basis. We followed this completed voyage recognition approach on our shorter voyages because the difference between prorating revenue from such voyages and recognizing such revenue at the completion of the voyage was immaterial to our consolidated financial statements. As of September 30, 2014, we changed our methodology and recognized passenger ticket revenues, revenues from onboard and other goods and services and all associated cruise operating expenses for all of our uncompleted voyages on a pro-rata basis. We believe that recognizing revenues and cruise operating expenses on a pro-rata basis for all voyages is preferable as revenues and expenses are recorded in the period in which the revenue generating activities are performed.

The effect of this change was an increase to Passenger ticket revenues and Onboard and other revenues, as well as an increase to our Cruise operating expenses. The change was not individually material to our revenues or any of our cruise operating expenses, and resulted in an aggregate increase to operating income and net income of $53.2 million for the year ended December 31, 2014. In addition, the change has not been retrospectively applied to prior periods, as the impact of prorating all voyages was immaterial to the respective periods presented.

Revenues and expenses include port costs that vary with guest head counts. The amounts of such port costs charged to our guests and included within Passenger ticket revenues on a gross basis were $570.3 million, $561.1 million and $546.6 million for the years 2016, 2015 and 2014, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash and marketable securities with original maturities of less than 90 days.

Inventories

Inventories consist of provisions, supplies and fuel carried at the lower of cost (weighted-average) or market.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. We capitalize interest as part of the cost of acquiring certain assets. 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. Liquidated damages received from shipyards as a result of the late delivery of a new ship are recorded as reductions to the cost basis of the ship.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful life of the asset. The useful lives of our ships are generally 30 years, net of a 15% projected residual value. 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. Depreciation for assets under capital leases is computed using the shorter of the lease term or related asset life.

Depreciation of property and equipment is computed utilizing the following useful lives:
We review 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. For purposes of recognition and measurement of an impairment loss, long-lived assets are grouped with other assets and liabilities 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 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 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 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.

**Goodwill**

Goodwill represents the excess of cost over the fair value of net tangible and identifiable intangible assets acquired. We review goodwill 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. 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.
Intangible Assets

In connection with our acquisitions, we have acquired certain intangible assets to which value has been assigned based on our estimates. Intangible assets that are deemed to have an indefinite life are not amortized, but are subject to an annual impairment test, or when events or circumstances dictate, more frequently. The indefinite-life intangible asset impairment test consists of a comparison of the fair value of the indefinite-life intangible asset with its carrying amount. 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.

Other intangible assets assigned finite useful lives are amortized on a straight-line basis over their estimated useful lives.

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.

Advertising Costs

Advertising costs are expensed as incurred except those costs which result in tangible assets, such as brochures, which are treated as prepaid expenses and charged to expense as consumed. Advertising costs consist of media advertising as well as brochure, production and direct mail costs.

Media advertising was $240.3 million, $242.8 million and $205.2 million, and brochure, production and direct mail costs were $120.8 million, $127.1 million and $136.7 million for the years 2016, 2015 and 2014, respectively.

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.

At inception of the hedge relationship, a derivative instrument that hedges the exposure to changes in the fair value of a firm commitment or a recognized asset or liability is designated as a fair value hedge. A derivative instrument that hedges a forecasted transaction or the variability of cash flows related to a recognized asset or liability is designated as a cash flow hedge.

Changes in the fair value of derivatives that are designated as fair value hedges are offset against changes in the fair value of the underlying hedged assets, liabilities or firm commitments. Gains and losses on derivatives that are designated as cash flow hedges are recorded as a component of Accumulated other comprehensive loss until the underlying hedged transactions are recognized in earnings. The foreign currency transaction gain or loss of our non-derivative financial instruments designated as hedges of our net investment in foreign operations and investments are recognized as a component of Accumulated other comprehensive loss along with the associated foreign currency translation adjustment of the foreign operation.
On an ongoing basis, we assess whether derivatives used in hedging transactions are "highly effective" in offsetting changes in the fair value or cash flow of hedged items. We use the long-haul method to assess hedge effectiveness using regression analysis for each hedge relationship under our interest rate, foreign currency and fuel hedging programs. We apply the same methodology on a consistent basis for assessing hedge effectiveness to all hedges within each hedging program (i.e., interest rate, foreign currency and fuel). We perform regression analyses over an observation period of up to three years, utilizing market data relevant to the hedge horizon of each hedge relationship. High effectiveness is achieved when a statistically valid relationship reflects a high degree of offset and correlation between the changes in the fair values of the derivative instrument and the hedged item. The determination of ineffectiveness is based on the amount of dollar offset between the change in fair value of the derivative instrument and the change in fair value of the hedged item at the end of the reporting period. If it is determined that a derivative is not highly effective as a hedge or hedge accounting is discontinued, any change in fair value of the derivative since the last date at which it was determined to be effective is recognized in earnings. In addition, the ineffective portion of our highly effective hedges is immediately recognized in earnings and reported in Other income (expense) in our consolidated statements of comprehensive income (loss).

Cash flows from derivative instruments that are designated as fair value or cash flow hedges are classified in the same category as the cash flows from the underlying hedged items. In the event that hedge accounting is discontinued, cash flows subsequent to the date of discontinuance are classified within investing activities. Cash flows from derivative instruments not designated as hedging instruments are classified as investing activities.

We consider the classification of the underlying hedged item’s cash flows in determining the classification for the designated derivative instrument’s cash flows. We classify derivative instrument cash flows from hedges of benchmark interest rate or hedges of fuel expense as operating activities due to the nature of the hedged item. Likewise, we classify derivative instrument cash flows from hedges of foreign currency risk on our newbuild ship payments as investing activities and derivative instrument cash flows from hedges of foreign currency risk on debt payments as financing activities.

Foreign Currency Translations and Transactions

We translate assets and liabilities of our foreign subsidiaries whose functional currency is the local currency, at exchange rates in effect at the balance sheet date. We translate revenues and expenses at weighted-average exchange rates for the period. Equity is translated at historical rates and the resulting foreign currency translation adjustments are included as a component of Accumulated other comprehensive loss, which is reflected as a separate component of Shareholders' equity. Exchange gains or losses arising from the remeasurement of monetary assets and liabilities denominated in a currency other than the functional currency of the entity involved are immediately included in our earnings, except for certain liabilities that have been designated to act as a hedge of a net investment in a foreign operation or investment. Exchange gains were $39.8 million, $34.6 million and $49.5 million for the years 2016, 2015 and 2014, respectively, and were recorded within Other income (expense). The majority of our transactions are settled in United States dollars. Gains or losses resulting from transactions denominated in other currencies are recognized in income at each balance sheet date.

Concentrations of Credit Risk

We monitor our credit risk associated with financial and other institutions with which we conduct significant business and, to minimize these risks, we select counterparties with credit risks acceptable to us and we seek to limit our exposure to an individual counterparty. Credit risk, including but not limited to counterparty nonperformance under derivative instruments, our credit facilities and new ship progress payment guarantees, is not considered significant, as we primarily conduct business with large, well-established financial institutions, insurance companies and export credit agencies many of which we have long-term relationships with and which have credit risks acceptable to us or where the credit risk is spread out among a large number of counterparties. As of December 31, 2016, we did not have any exposure under our derivative instruments. As of December 31, 2015, we had counterparty credit risk exposure under our derivative instruments of approximately $4.8 million, which was limited to the cost of replacing the contracts in the event of non-performance by the counterparties to the contracts, all of which are currently our lending banks.
We do not anticipate nonperformance by any of our significant counterparties. In addition, we have established guidelines we follow regarding credit ratings and instrument maturities to maintain safety and liquidity. We do not normally require collateral or other security to support credit relationships; however, in certain circumstances this option is available to us.

**Earnings Per Share**

Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during each period. Diluted earnings per share incorporates the incremental shares issuable upon the assumed exercise of stock options and conversion of potentially dilutive securities.

**Stock-Based Employee Compensation**

We measure and recognize compensation expense at the estimated fair value of employee stock awards. Compensation expense for awards and the related tax effects are recognized as they vest. We use the estimated amount of expected forfeitures to calculate compensation costs for all outstanding awards.

**Segment Reporting**

We own and operate three global cruise brands, Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises. We also own a 50% joint venture interest with TUI AG which operates the brand TUI Cruises, a 49% interest in the Spanish brand Pullmantur and have a minority interest in the Chinese brand SkySea Cruises. We believe our brands possess the versatility to enter multiple cruise market segments within the cruise vacation industry. Although each of these brands have its own marketing style as well as ships and crews of various sizes, the nature of the products sold and services delivered by these 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.

Information by geographic area is shown in the table below. Passenger ticket revenues are attributed to geographic areas based on where the reservation originates.

<table>
<thead>
<tr>
<th>Passenger ticket revenues:</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>55%</td>
<td>55%</td>
<td>53%</td>
</tr>
<tr>
<td>All other countries</td>
<td>45%</td>
<td>45%</td>
<td>47%</td>
</tr>
</tbody>
</table>

**Recent Accounting Pronouncements**

**Revenue from Contracts with Customers**

In May 2014, amended GAAP guidance was issued to clarify the principles used to recognize revenue for all entities. The guidance also requires more detailed disclosures and provides additional guidance for transactions that were not comprehensively addressed in the prior accounting guidance. This guidance must be applied using one of two retrospective application methods and will be effective for our annual reporting period beginning after December 15, 2017, including interim periods therein. Early adoption is permitted for our annual reporting period beginning after December 15, 2016, including interim periods therein. We are currently evaluating the impact, if any, of the adoption of the revenue recognition guidance to our consolidated financial statements and intend to elect the modified retrospective method to all contracts on the date of initial application, January 1, 2018. This will involve applying the guidance retrospectively only to the most current period presented in the financial statements and recognizing the
cumulative effect of initially applying the guidance as an adjustment to the January 1, 2018 opening balance of retained earnings at the date of initial application.

Leases

In February 2016, amended GAAP guidance was issued to increase the transparency and comparability of lease accounting among organizations. For leases with a term greater than 12 months, the amendments require the lease rights and obligations arising from the leasing arrangements, including operating leases, to be recognized as assets and liabilities on the balance sheet. The amendments also expand the required disclosures surrounding leasing arrangements. The guidance must be applied using a retrospective application method and will be effective for financial statements issued for fiscal years beginning after December 15, 2018 and interim periods within those years. Early adoption is permitted. We are currently evaluating the impact of the adoption of this newly issued guidance to our consolidated financial statements.

Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships

In March 2016, amended GAAP guidance was issued addressing the effect of derivative contract novations on existing hedge accounting relationships. The amendments clarify that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument does not, in and of itself, require redesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. The guidance must be applied using a prospective or modified retrospective application method and will be effective for financial statements issued for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The adoption of this newly issued guidance is not expected to have a material impact to our consolidated financial statements.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, amended GAAP guidance was issued to clarify how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are aimed at reducing the existing diversity in practice. The guidance should be applied using a retrospective transition method to each period presented and will be effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. Early adoption is permitted, including adoption in an interim period. The adoption of this newly issued guidance is not expected to have a material impact to our consolidated financial statements.

Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, amended GAAP guidance was issued that requires the income tax consequences of an intra-entity transfer of an asset, other than inventory, to be recognized at the time that the transfer occurs, rather than when the asset is sold to an outside party. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2018. Early adoption is permitted as of the beginning of an annual period for which financial statements have not been issued. The guidance is required to be adopted retrospectively by recording a cumulative-effect adjustment to retained earnings as of the beginning of the adoption period. We are currently evaluating the impact of the adoption of this newly issued guidance to our consolidated financial statements.

Interests held through Related Parties that are under Common Control

In October 2016, amended GAAP guidance was issued related to Interests held through Related Parties that are under Common Control, which alters how a decision maker needs to consider indirect interests in a Variable Interest Entity ("VIE") held through an entity under common control. The amended guidance addresses how a single decision maker of a VIE should treat indirect interests that are held through related parties under common control, when determining whether it is the primary beneficiary of that VIE. The amendments in this update are effective for fiscal
years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the impact of the adoption of this newly issued guidance to our consolidated financial statements.

Reclassifications

On January 1, 2016, we adopted Accounting Standards Codification ("ASC") 835, Presentation of Debt Issuance Costs, using the retrospective approach. Due to the adoption of ASC 835, $139.8 million of debt issuance costs have been reclassified in the consolidated balance sheet, as of December 31, 2015, from Other assets to either Current portion of long-term debt or Long-term debt in order to conform to the current year presentation.

For the years ended December 31, 2015 and December 31, 2014, share-based compensation expense of $36.1 million and $26.1 million, equity investment income of $81.0 million and $51.6 million and amortization of debt issuance costs of $27.1 million and $26.6 million, respectively, have been reclassified in the consolidated statements of cash flows from Other, net to Share-based compensation expense, Equity investment income and Amortization of debt issuance costs, respectively, within Net cash provided by operating activities in order to conform to the current year presentation.

Additionally, for the years ended December 31, 2015 and December 31, 2014, amortization of debt issuance costs of $17.2 million and $19.8 million, respectively, have been reclassified from Decrease (increase) in prepaid expenses and other assets and $7.9 million and $8.5 million, respectively, have been reclassified from Increase in accrued expenses and other liabilities in the consolidated statements of cash flows to Amortization of debt issuance costs, within Net cash provided by operating activities in order to conform to the current year presentation.

Note 3. Goodwill

The carrying amount of goodwill attributable to our Royal Caribbean International and Celebrity Cruises reporting units and the changes in such balances during the years ended December 31, 2016 and December 31, 2015 were as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Royal Caribbean International</th>
<th>Celebrity Cruises</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2014</td>
<td>$ 286,958</td>
<td>$ —</td>
<td>$ 286,958</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>(194)</td>
<td>—</td>
<td>(194)</td>
</tr>
<tr>
<td>Balance at December 31, 2015</td>
<td>286,764</td>
<td>—</td>
<td>286,764</td>
</tr>
<tr>
<td>Goodwill attributable to purchase of Ocean Adventures (1)</td>
<td>—</td>
<td>1,600</td>
<td>1,600</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>(10)</td>
<td>32</td>
<td>22</td>
</tr>
<tr>
<td>Balance at December 31, 2016</td>
<td>$ 286,754</td>
<td>$ 1,632</td>
<td>$ 288,386</td>
</tr>
</tbody>
</table>

(1) The Ocean Adventures business combination, including purchase transaction and assets acquired, was immaterial to our consolidated financial statements.

The carrying amount of goodwill attributable to our Pullmantur reporting unit and the changes in such balances during the year ended December 31, 2015 were as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Pullmantur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2014</td>
<td>$ 133,584</td>
</tr>
<tr>
<td>Impairment charge</td>
<td>(123,814)</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>(9,770)</td>
</tr>
<tr>
<td>Balance at December 31, 2015</td>
<td>$ —</td>
</tr>
</tbody>
</table>
During the fourth quarter of 2016, we performed a qualitative assessment of whether it was more-likely-than-not that our Royal Caribbean International reporting unit's fair value was less than its carrying amount before applying the two-step goodwill impairment test. The qualitative analysis included assessing the impact of certain factors such as general economic conditions, limitations on accessing capital, changes in forecasted operating results, changes in fuel prices and fluctuations in foreign exchange rates. 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, its financial performance has been solid in the face of mixed economic environments and forecasts of operating results generated by the reporting unit appear sufficient to support its carrying value. As a result of our assessment, we did not record an impairment of goodwill for the year ended December 31, 2016.

During the fourth quarter of 2015, we performed our annual impairment review of goodwill for the Royal Caribbean International reporting unit. We elected to bypass the qualitative assessment and proceeded directly to step one of the two-step goodwill impairment test to corroborate the results of prior years' qualitative assessments. As a result of the test, we determined the fair value of the Royal Caribbean International reporting unit exceeded its carrying value by approximately 90% resulting in no impairment to the Royal Caribbean International goodwill for the year ended December 31, 2015.

In 2015, for our Pullmantur reporting unit, we reviewed the two-step goodwill impairment test based on our cash flow projections. As a result of this analysis, we determined that the carrying value of the Pullmantur reporting unit exceeded its fair value. Accordingly, upon the completion of the two-step impairment test, we recognized a goodwill impairment charge of $123.8 million. The charge reflected the full carrying amount of the goodwill leaving Pullmantur with no goodwill on its books. This impairment charge was recognized in earnings during the third quarter of 2015 and is reported within Impairment of Pullmantur related assets within our consolidated statements of comprehensive income (loss). Refer to Note 14, Fair Value Measurements and Derivative Instruments for further information regarding the Pullmantur reporting unit estimated fair value calculation.

For the year ended December 31, 2014, we did not record an impairment of goodwill for our reporting units. Accumulated goodwill impairment losses as of December 31, 2016 were $443.0 million attributable to our Pullmantur reporting unit.
Note 4. Intangible Assets

Intangible assets are reported in Other assets in our consolidated balance sheets. The carrying amount of indefinite-life intangible assets was not material as of December 31, 2016. Indefinite-life intangible assets consisted of the following as of December 31, 2015 (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indefinite-life intangible asset—Pullmantur trademarks and trade names</td>
<td>$ 188,038</td>
</tr>
<tr>
<td>Impairment charge</td>
<td>(174,285)</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>(13,753)</td>
</tr>
<tr>
<td>Total</td>
<td>$ —</td>
</tr>
</tbody>
</table>

During the third quarter of 2015, we performed an interim impairment evaluation of Pullmantur's trademarks and trade names using a discounted cash flow model and the relief-from-royalty method to compare the fair value of these indefinite-lived intangible assets to its carrying value. We used a discount rate comparable to the rate used in valuing the Pullmantur reporting unit in our goodwill impairment test. Based on our cash flow projections, we determined that the fair value of Pullmantur’s trademarks and trade names no longer exceeded their carrying value. Accordingly, we recognized an impairment charge of approximately $174.3 million to write down trademarks and trade names to their fair value. The charge reflected the full carrying amount of the trademark and trade names leaving Pullmantur with no intangible assets on its books. This impairment charge was recognized in earnings during the third quarter of 2015 and is reported within Impairment of Pullmantur related assets within our consolidated statements of comprehensive income (loss). Refer to Note 14. Fair Value Measurements and Derivative Instruments for further information regarding the estimated fair value calculation of these assets.

For the year ended December 31, 2014, we did not record an impairment of Pullmantur's trademark and trade names.

Finite-life intangible assets had a gross carrying amount and accumulated amortization amount of $8.4 million and $0.2 million, respectively, as of December 31, 2016, consisting of operating licenses to operate in the Galapagos Islands. As of December 31, 2016, the remaining weighted average remaining life of these licenses were approximately 27.6 years. Amortization expense for finite-life intangible assets was immaterial to our consolidated financial statements.

Note 5. Property and Equipment

Property and equipment consists of the following (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ships</td>
<td>$ 23,978,822</td>
<td>$ 22,102,025</td>
</tr>
<tr>
<td>Ship improvements</td>
<td>2,359,639</td>
<td>2,019,294</td>
</tr>
<tr>
<td>Ships under construction</td>
<td>354,425</td>
<td>734,998</td>
</tr>
<tr>
<td>Land, buildings and improvements, including leasehold improvements and port facilities</td>
<td>341,605</td>
<td>337,109</td>
</tr>
<tr>
<td>Computer hardware and software, transportation equipment and other</td>
<td>1,108,301</td>
<td>1,025,264</td>
</tr>
<tr>
<td>Total property and equipment</td>
<td>28,142,792</td>
<td>26,218,690</td>
</tr>
<tr>
<td>Less—accumulated depreciation and amortization</td>
<td>(7,981,365)</td>
<td>(7,440,912)</td>
</tr>
<tr>
<td>Total</td>
<td>$ 20,161,427</td>
<td>$ 18,777,778</td>
</tr>
</tbody>
</table>

Ships under construction include progress payments for the construction of new ships as well as planning, design, interest and other associated costs. We capitalized interest costs of $25.3 million, $26.5 million and $28.8 million for the years 2016, 2015 and 2014, respectively.
We review our long-lived assets for impairment whenever events or changes in circumstances indicate potential impairment. During 2016, we sold our 51% interest in Pullmantur Holdings. For further information on the sale transaction, refer to Note 1. General. Due to this sale and the resulting change in the nature of the cash flows generated by the vessels that are owned by us and operated by Pullmantur Holdings, we reviewed these vessels for impairment. We determined that the undiscounted future cash flows of the vessels exceeded their carrying value; therefore, no impairment was required.

During 2016, we entered into agreements with STX France to build a fifth Oasis-class ship and a third and fourth "Project Edge" ship. Refer to Note 15. Commitments and Contingencies for further information.

In April 2016, we completed the previously announced sale of Splendour of the Seas to TUI Cruises. Concurrent with the acquisition, TUI Cruises leased the ship to Thomson Cruises, an affiliate of TUI AG, our joint venture partner, who will operate the ship. The gain recognized did not have a material effect to our consolidated financial statements.

In June 2016, we entered into an agreement to sell Legend of the Seas to Thomson Cruises. The sale is scheduled to be completed in March 2017 in order to retain the future revenues to be generated for sailings through that date. We expect to recognize a gain on the sale, which we do not expect will have a material effect to our annual consolidated financial statements.

During 2015, in conjunction with performing the two-step goodwill impairment test for the Pullmantur reporting unit, we identified that the estimated fair value of certain long-lived assets, consisting of two ships and three aircraft were less than their carrying values. As a result of this determination, we evaluated these assets pursuant to our long-lived asset impairment test, resulting in an impairment charge of $113.2 million to write down these assets to their estimated fair values. This impairment charge was recognized in earnings during the third quarter of 2015 and is reported within Impairment of Pullmantur related assets within our consolidated statements of comprehensive income (loss). Refer to Note 14. Fair Value Measurements and Derivative Instruments for further information regarding the estimated fair value calculation of these assets.

During 2015, Pullmantur sold Ocean Dream to an unrelated third party for $34.6 million. The purchase price was paid via a secured promissory note, payable over a nine-year period. The buyer's obligations under this loan accrue interest at the rate of 6.0% per annum and are secured by a first priority mortgage on the ship. The sale resulted in an immaterial gain that was deferred and is expected to be recognized at the end of the nine-year term.

**Note 6. Other Assets**

A VIE is an entity in which the equity investors have not provided enough equity to finance the entity's activities or the equity investors (1) cannot directly or indirectly make decisions about the entity's activities through their voting rights or similar rights; (2) do not have the obligation to absorb the expected losses of the entity; (3) do not have the right to receive the expected residual returns of the entity; or (4) have voting rights that are not proportionate to their economic interests and the entity's activities involve or are conducted on behalf of an investor with a disproportionately small voting interest.

We have determined that TUI Cruises GmbH, our 50%-owned joint venture which operates the brand TUI Cruises, is a VIE. As of December 31, 2016, the net book value of our investment in TUI Cruises was approximately $515.9 million, consisting of $323.5 million in equity and a loan of $192.4 million. The loan, which was made in connection with the sale of Splendour of the Seas in April 2016, accrues interest at a rate of 6.25% per annum and is payable over a 10-year term. This loan is 50% guaranteed by TUI AG, our joint venture partner, and is secured by a first priority mortgage on the ship. Refer to Note 5. Property and Equipment for further information. As of December 31, 2015, the net book value of our investment in TUI Cruises was approximately $293.8 million, consisting of equity. The majority of these amounts were included within Other assets in our consolidated balance sheets.
In addition, we and TUI AG have each guaranteed the repayment of 50% of a bank loan borrowed by TUI Cruises. As of December 31, 2016, the outstanding principal amount of the loan was €116.3 million, or approximately $122.7 million based on the exchange rate at December 31, 2016. While this loan matures in May 2022, the lenders have agreed to release each shareholder's guarantee in 2018. The loan amortizes quarterly and is secured by first mortgages on the Mein Schiff 1 and Mein Schiff 2 vessels. Based on current facts and circumstances, we do not believe potential obligations under our guarantee of this bank loan are probable.

Our investment amount, outstanding term loan and the potential obligations under the bank loan guarantee are substantially our maximum exposure to loss in connection with our investment in TUI Cruises. We have determined that we are not the primary beneficiary of TUI Cruises. We believe that the power to direct the activities that most significantly impact TUI Cruises’ economic performance are shared between ourselves and TUI AG. All the significant operating and financial decisions of TUI Cruises require the consent of both parties, which we believe creates shared power over TUI Cruises. Accordingly, we do not consolidate this entity and account for this investment under the equity method of accounting.

TUI Cruises has three newbuild ships on order with Meyer Turku scheduled to be delivered in each of 2017, 2018 and 2019. TUI Cruises has in place agreements for the secured financing of each of the ships on order for up to 80% of the contract price. The remaining portion of the contract price of the ships is expected to be funded through an existing €150.0 million bank facility and TUI Cruises' cash flows from operations. The various ship construction and financing agreements 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 2021.

We have determined that Pullmantur Holdings, in which we have a 49% noncontrolling interest, is a VIE for which we are not the primary beneficiary, as we do not have the power to direct the activities that most significantly impact the entity's economic performance. Accordingly, subsequent to the sale of our 51% interest in Pullmantur Holdings to Springwater Capital LLC (“Springwater”), we do not consolidate this entity and account for this investment under the equity method of accounting. As of December 31, 2016, the net book value of our investment in Pullmantur Holdings was was immaterial to our consolidated financial statements.

In conjunction with the sale, we provided a non-revolving working capital facility to a Pullmantur Holdings subsidiary in the amount of up to €15.0 million or approximately $15.8 million based on the exchange rate at December 31, 2016. Proceeds of the facility, which may be drawn through July 2018, will bear interest at the rate of 6.5% per annum and are payable through 2022. Springwater has guaranteed repayment of 51% of the outstanding amounts under the facility. As of December 31, 2016, no amounts had been drawn on this facility. See Note 1. General for further discussion on the sales transaction.

We have determined that Grand Bahama Shipyard Ltd. (“Grand Bahama”), a ship repair and maintenance facility in which we have a 40% noncontrolling interest, is a VIE. This facility serves cruise and cargo ships, oil and gas tankers and offshore units. We utilize this facility, among other ship repair facilities, for our regularly scheduled drydocks and certain emergency repairs as may be required. During the year ended December 31, 2016 and December 31, 2015, we made payments of $39.8 million and $21.7 million, respectively, to Grand Bahama for ship repair and maintenance services. We have determined that we are not the primary beneficiary of this facility, as we do not have the power to direct the activities that most significantly impact the facility's economic performance. Accordingly, we do not consolidate this entity and we account for this investment under the equity method of accounting. As of December 31, 2016, the net book value of our investment in Grand Bahama was approximately $47.0 million, consisting of $23.2 million in equity and a loan of $23.8 million. As of December 31, 2015, the net book value of our investment in Grand Bahama was approximately $51.2 million, consisting of $12.6 million in equity and a loan of $38.6 million. These amounts represent our maximum exposure to loss related to our investment in Grand Bahama. During 2016, our debt agreement with Grand Bahama was amended to extend the maturity by 10 years and increase the applicable interest rate to the lower of (i) LIBOR plus 3.50% and (ii) 5.50%. Interest payable on the loan is due on a semi-annual basis. We continue to classify the loan, as modified, as non-accrual status. The loan balance is included within Other assets in our consolidated balance sheets. During the year ended December 31, 2016 and 2015, we received payments of
approximately $14.8 million and $4.4 million, respectively. We monitor credit risk associated with the loan through our participation on Grand Bahama's board of directors along with our review of Grand Bahama's financial statements and projected cash flows. Based on this review, we believe the risk of loss associated with the outstanding loan is not probable as of December 31, 2016.

We have determined that Skysea Holding International Ltd. ("Skysea Holding"), in which we have a 35% noncontrolling interest, is a VIE for which we are not the primary beneficiary, as we do not have the power to direct the activities that most significantly impact the entity's economic performance. Accordingly, we do not consolidate this entity and we account for this investment under the equity method of accounting. In December 2014, we and Ctrip.com International Ltd, which also owns 35% of Skysea Holding, each provided a debt facility to a wholly owned subsidiary of Skysea Holding in the amount of $80.0 million. Interest under these facilities, which mature in January 2030, initially accrues at a rate of 3.0% per annum with an increase of at least 0.5% every two years through maturity. The facilities, which are pari passu to each other, are each 100% guaranteed by Skysea Holding and are secured by first priority mortgages on the ship SkySea Golden Era.

As of December 31, 2016, the net book value of our investment in Skysea Holding and its subsidiaries was approximately $95.4 million, consisting of $9.2 million in equity and loans of $86.2 million. As of December 31, 2015, the net book value of our investment in Skysea Holding and its subsidiaries was approximately $99.8 million, consisting of $17.3 million in equity and a loan of $82.5 million. The majority of these amounts were included within Other assets in our consolidated balance sheets and represent our maximum exposure to loss related to our investment in Skysea Holding.

The following table sets forth information regarding our investments accounted for under the equity method of accounting, including the entities discussed above, (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>For the period ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Share of equity income from investments</td>
<td>$128,350</td>
</tr>
<tr>
<td>Dividends received</td>
<td>$75,942</td>
</tr>
</tbody>
</table>

We also provide ship management services to TUI Cruises GmbH, Pullmantur Holdings and Skysea Holding. Additionally, we bareboat charter to Pullmantur the vessels currently operated by its brands, which were retained by us in connection with the sale of our majority interest. We recorded the following as it relates to these services in our operating results within our consolidated statements of comprehensive income (loss) (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>For the period ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Revenues</td>
<td>$30,517</td>
</tr>
<tr>
<td>Expenses</td>
<td>$12,795</td>
</tr>
</tbody>
</table>

Summarized financial information for our affiliates accounted for under the equity method of accounting was as follows (in thousands):

F-20
As of December 31,  

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>$382,529</td>
<td>$315,264</td>
</tr>
<tr>
<td>Non Current Assets</td>
<td>2,922,471</td>
<td>2,246,809</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$3,305,000</td>
<td>$2,562,073</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>$761,331</td>
<td>$585,887</td>
</tr>
<tr>
<td>Non Current Liabilities</td>
<td>1,693,941</td>
<td>1,231,262</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$2,455,272</td>
<td>$1,817,149</td>
</tr>
</tbody>
</table>

Equity Attributable to:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Noncontrolling Interest</td>
<td>$1,544</td>
<td>$1,683</td>
</tr>
</tbody>
</table>

For the period ended December 31,  

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$1,232,191</td>
<td>$990,172</td>
<td>$797,441</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>(972,454)</td>
<td>(830,898)</td>
<td>(682,430)</td>
</tr>
<tr>
<td>Net Income</td>
<td>$259,737</td>
<td>$159,274</td>
<td>$115,011</td>
</tr>
</tbody>
</table>

**Note 7. Long-Term Debt**

Long-term debt consists of the following (in thousands):

F-21
In February 2016, we amended our unsecured term loans for *Oasis of the Seas* and *Allure of the Seas* to reduce the margins on those facilities and incorporate certain covenant improvements included in our more recent credit facilities. The interest rate on both the $420.0 million floating rate tranche of the *Oasis of the Seas* term loan and the $1.1 billion *Allure of the Seas* term loan was reduced from LIBOR plus 1.85% to LIBOR plus 1.65%. These amendments did not result in the extinguishment of debt.

In February 2016, we agreed with the lenders on our €365.0 million unsecured term loan due 2017 to convert €247.5 million, or $273.2 million, of the outstanding principal balance from Euro to United States dollars. Interest on the new United States dollar tranche accrues at a floating rate based on LIBOR plus the applicable margin. The balance of the facility of €117.5 million will remain outstanding in Euro and will continue to accrue interest at a floating rate.
based on EURIBOR, subject to a 0% floor, plus the applicable margin. The applicable margin varies with our debt rating and was 1.75% as of December 31, 2016. The amendment did not result in the extinguishment of debt.

In April 2016, we took delivery of Ovation of the Seas. To finance the purchase, we borrowed $841.8 million under a previously committed unsecured term loan which is 95% guaranteed by Euler Hermes Deutschland AG (“Hermes”), the official export credit agency of Germany. The loan amortizes semi-annually over 12 years and bears interest at LIBOR plus a margin of 1.00%, totaling 2.26% as of December 31, 2016. During 2015, we entered into forward-starting interest rate swap agreements which effectively converted $830.0 million of the loan from the floating rate available to us per the credit agreement to a fixed rate, including the applicable margin, of 3.16% effective from April 2016 through the maturity of the loan. See Note 14. Fair Value Measurements and Derivative Instruments for further information regarding these agreements.

In April 2016, we entered into and drew in full on a credit agreement which provides an unsecured term loan in the amount of $200 million. The loan is due and payable at maturity in April 2017. Interest on the loan accrues at a floating rate based on LIBOR plus a margin of 1.30%, totaling 2.06% as of December 31, 2016. The proceeds from this loan were used to repay amounts outstanding under our unsecured revolving credit facilities.

In May 2016, we took delivery of Harmony of the Seas. To finance the purchase, we borrowed an unsecured Euro-denominated term loan in the amount of €700.7 million, or $739.2 million based on the exchange rate at December 31, 2016, and an unsecured United States dollar-denominated term loan in the amount of $226.1 million under previously committed credit agreements. Both of the facilities are 100% guaranteed by Compagnie Francaise d’Assurance pour le Commerce Extérieur (“COFACE”), the official export credit agency of France. The Euro-denominated term loan amortizes semi-annually over 12 years and bears interest at EURIBOR, subject to a 0% floor, plus the applicable margin of 1.15%, totaling 1.15% as of December 31, 2016. The United States dollar-denominated term loan amortizes semi-annually over 12 years and bears interest at a fixed rate of 2.53%. During 2015, we entered into forward-starting interest rate swap agreements which effectively converted €693.4 million, or $731.5 million based on the exchange rate at December 31, 2016, of the Euro-denominated term loan from the floating rate per the credit agreement to a fixed rate, including the applicable margin, of 2.26% effective from May 2016 through the maturity of the loan. See Note 14. Fair Value Measurements and Derivative Instruments for further information regarding these agreements.

All of our unsecured ship financing term loans are guaranteed by the export credit agency in the respective country in which the ship is constructed. In consideration for these guarantees, depending on the financing arrangement, we pay to the applicable export credit agency (1) fees from 1.48% per annum based on the outstanding loan balance semi-annually over the term of the loan (subject to adjustment under certain of our facilities based upon our credit ratings) or (2) an upfront fee of 2.35% to 2.37% of the maximum loan amount. We amortize the fees that are paid upfront over the life of the loan and those that are paid semi-annually over each respective payment period. We classify these fees within Debt issuance costs in our consolidated statements of cash flows and within Other assets in our consolidated balance sheets.

Under certain of our agreements, the contractual interest rate, facility fee and/or export credit agency fee vary with our debt rating.

The unsecured senior notes and senior debentures are not redeemable prior to maturity, except that certain series may be redeemed upon the payment of a make-whole premium.

Following is a schedule of annual maturities on long-term debt including capital leases as of December 31, 2016 for each of the next five years (in thousands):

F-23
Year | $ |
--- | --- |
2017 | 1,285,735 |
2018 | 2,309,952 |
2019 | 754,496 |
2020 | 1,608,187 |
2021 | 632,920 |
Thereafter | 2,796,146 |
$ | 9,387,436 |

**Note 8. Shareholders' Equity**

During the fourth and third quarters of 2016, we declared a cash dividend on our common stock of $0.48 per share which was paid in the first quarter of 2017 and fourth quarter of 2016, respectively. We also declared and paid a cash dividend on our common stock of $0.375 per share during each of the first and second quarters of 2016.

During the fourth and third quarters of 2015, we declared a cash dividend on our common stock of $0.375 per share which was paid in the first quarter of 2016 and fourth quarter of 2015, respectively. We also declared and paid a cash dividend on our common stock of $0.30 per share during each of the first and second quarters of 2015. During the first quarter of 2015, we also paid a cash dividend on our common stock of $0.30 per share which was declared during the fourth quarter of 2014.

During the fourth quarter of 2015, our board of directors authorized a common stock repurchase program for up to $500 million that was completed in August 2016. During 2016, we purchased 4.1 million shares for a total of $300.0 million in open market transactions. These transactions were recorded within Treasury stock in our consolidated balance sheet. Our repurchases under this program, including the 2.1 million shares repurchased for $200.0 million during the fourth quarter of 2015, totaled $500.0 million.

**Note 9. Stock-Based Employee Compensation**

We currently have awards outstanding under two stock-based compensation plans, which provide for awards to our officers, directors and key employees. The plans consist of a 2000 Stock Award Plan and a 2008 Equity Plan. Our ability to issue new awards under the 2000 Stock Award Plan terminated in accordance with the terms of the plan in September 2009. The 2008 Equity Plan, as amended, provides for the issuance of up to 14,000,000 shares of our common stock pursuant to grants of (i) incentive and non-qualified stock options, (ii) stock appreciation rights, (iii) stock awards (including time-based and/or performance-based stock awards) and (iv) restricted stock units (including time-based and performance-based restricted stock units). During any calendar year, no one individual (other than non-employee members of our Board of Directors) may be granted awards of more than 500,000 shares and no non-employee member of our Board of Directors may be granted awards with a value in excess of $500,000 at the grant date. Options and restricted stock units outstanding as of December 31, 2016 generally vest in equal installments over four years from the date of grant. In addition, performance shares and performance share units generally vest in three years. With certain limited exceptions, awards are forfeited if the recipient ceases to be an employee before the shares vest. Options are granted at a price not less than the fair value of the shares on the date of grant and expire not later than ten years after the date of grant.

Prior to 2012, our officers received a combination of stock options and restricted stock units. Beginning in 2012, our officers instead receive their long-term incentive awards through a combination of performance share units and restricted stock units. Each performance share unit award is expressed as a target number of performance share units based upon the fair market value of our common stock on the date the award is issued. The actual number of shares underlying each award (not to exceed 200% of the target number of performance share units) will be determined based upon the Company's achievement of a specified performance target range. In 2016, we issued a target number of...
182,464 performance share units, which will vest approximately three years following the award issue date. The performance payout of these grants will be based on return on our invested capital ("ROIC") and earnings per share ("EPS") for the year ended December 31, 2018, as may be adjusted by the Talent and Compensation Committee of our Board of Directors in early 2019 for events that are outside of management's control. In 2014, we also issued a one-time performance-based equity award to our Chairman & Chief Executive Officer in a target amount of 63,771 performance share units, with the actual number of shares payable under the grant to range from 0% to 200% of target based on our 2015 ROIC performance. In February 2016, the Compensation Committee set the payout level for this grant at 165% of target. The shares issued in settlement of this award vested in February 2016 but remain subject to restrictions on transfer until December 2017, the third anniversary of the award issuance date.

Beginning in 2016, our senior officers meeting certain minimum age and service criteria receive their long-term incentive awards through a combination of restricted stock awards and restricted stock units. The restricted stock awards are subject to both performance and time-based vesting criteria while the restricted stock units are subject only to time-based vesting criteria. Each restricted stock award is issued in an amount equal to 200% of the target number of shares underlying the award based upon the fair market value of our common stock on the date the award is issued. Dividends accrue (but do not get paid) on the restricted stock awards during the vesting period, with the accrued amounts to be paid out following vesting only on the number of shares underlying the award which actually vest based on satisfaction of the performance criteria. The actual number of shares that vest (not to exceed 200% of the shares) will be determined based upon the Company's achievement of a specified performance target range. In 2016, we issued 132,228 restricted stock awards, representing 200% of the target number of shares underlying the award, all of which are considered issued and outstanding from the date of issuance, however; grantees will only retain those shares earned as the result of the Company achieving the performance goals during the measurement period. The performance payout of the 2016 awards will be based on our return on invested capital ("ROIC") and earnings per share ("EPS") for the year ended December 31, 2018, as may be adjusted by the Talent and Compensation Committee of our Board of Directors in early 2019 for events that are outside of management's control.

We also provide an Employee Stock Purchase Plan ("ESPP") to facilitate the purchase by employees of up to 1,300,000 shares of common stock in the aggregate. Offerings to employees are made on a quarterly basis. Subject to certain limitations, the purchase price for each share of common stock is equal to 85% of the average of the market prices of the common stock as reported on the New York Stock Exchange on the first business day of the purchase period and the last business day of each month of the purchase period. During 2016, 2015 and 2014, 42,347, 28,724 and 26,921 shares of our common stock were purchased under the ESPP at a weighted-average price of $65.48, $72.52 and $52.08, respectively.

In 1994, we granted to our Chairman and Chief Executive Officer an award of common stock, issuable in quarterly installments of 10,086 shares until the earlier of the termination of his employment or June 2014. In furtherance of this grant, we issued an aggregate of 20,172 shares of common stock in 2014.

Total compensation expense recognized for employee stock-based compensation for the years ended December 31, 2016, 2015 and 2014 was as follows:

<table>
<thead>
<tr>
<th>Classification of expense</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing, selling and administrative expenses</td>
<td>$32,659</td>
<td>$36,073</td>
<td>$26,116</td>
</tr>
<tr>
<td>Total compensation expense</td>
<td>$32,659</td>
<td>$36,073</td>
<td>$26,116</td>
</tr>
</tbody>
</table>

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model. The estimated fair value of stock options, less estimated forfeitures, is amortized over the vesting period using the graded-vesting method. We did not issue any stock options during the years ended December 31, 2016, 2015 and 2014.
Stock option activity and information about stock options outstanding are summarized in the following table:

<table>
<thead>
<tr>
<th>Stock Option Activity</th>
<th>Number of Options</th>
<th>Weighted-Average Exercise Price</th>
<th>Weighted-Average Remaining Contractual Term</th>
<th>Aggregate Intrinsic Value (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at January 1, 2016</td>
<td>411,809</td>
<td>$33.69</td>
<td>3.12</td>
<td>$28,111</td>
</tr>
<tr>
<td>Granted</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>(61,014)</td>
<td>$37.87</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Canceled</td>
<td>(4,485)</td>
<td>$44.72</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding at December 31, 2016</td>
<td>346,310</td>
<td>$32.82</td>
<td>2.39</td>
<td>$17,221</td>
</tr>
<tr>
<td>Vested and expected to vest at December 31, 2016</td>
<td>346,310</td>
<td>$32.82</td>
<td>2.39</td>
<td>$17,221</td>
</tr>
<tr>
<td>Options Exercisable at December 31, 2016</td>
<td>346,310</td>
<td>$32.82</td>
<td>2.39</td>
<td>$17,221</td>
</tr>
</tbody>
</table>

(1) The intrinsic value represents the amount by which the fair value of stock exceeds the option exercise price as of December 31, 2016.

The total intrinsic value of stock options exercised during the years ended December 31, 2016, 2015 and 2014 was $17.2 million, $13.8 million and $35.9 million, respectively. As of December 31, 2016, there was no unrecognized compensation cost, net of estimated forfeitures, related to stock options granted under our stock incentive plan.

Restricted stock units are converted into shares of common stock upon vesting or, if applicable, are settled on a one-for-one basis. The cost of these awards is determined using the fair value of our common stock on the date of the grant, and compensation expense is recognized over the vesting period. Restricted stock activity is summarized in the following table:

<table>
<thead>
<tr>
<th>Restricted Stock Units Activity</th>
<th>Number of Awards</th>
<th>Weighted-Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-vested share units at January 1, 2016</td>
<td>820,649</td>
<td>$54.98</td>
</tr>
<tr>
<td>Granted</td>
<td>376,744</td>
<td>$64.51</td>
</tr>
<tr>
<td>Vested</td>
<td>(333,733)</td>
<td>$48.91</td>
</tr>
<tr>
<td>Canceled</td>
<td>(115,144)</td>
<td>$58.45</td>
</tr>
<tr>
<td>Non-vested share units expected to vest as of December 31, 2016</td>
<td>748,516</td>
<td>$61.95</td>
</tr>
</tbody>
</table>

The weighted-average estimated fair value of restricted stock units granted during the year ended 2015 and 2014 was $73.98 and $54.60, respectively. The total fair value of shares released on the vesting of restricted stock units during the years ended December 31, 2016, 2015 and 2014 was $23.2 million, $27.6 million and $20.7 million, respectively. As of December 31, 2016, we had $13.7 million of total unrecognized compensation expense, net of estimated forfeitures, related to restricted stock unit grants, which will be recognized over the weighted-average period of 1.08 years.

Performance share units are converted into shares of common stock upon vesting on a one-for-one basis. We estimate the fair value of each performance share when the grant is authorized and the related service period has commenced. We remeasure the fair value of our performance shares in each subsequent reporting period until the grant date has occurred, which is the date when the performance conditions are satisfied. We recognize compensation cost over the vesting period based on the probability of the service and performance conditions being achieved adjusted for each subsequent fair value measurement until the grant date. If the specified service and performance conditions...
are not met, compensation expense will not be recognized and any previously recognized compensation expense will be reversed. Performance share units activity is summarized in the following table:

<table>
<thead>
<tr>
<th>Performance Share Units Activity</th>
<th>Number of Awards</th>
<th>Weighted-Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-vested share units at January 1, 2016</td>
<td>504,211</td>
<td>$ 53.57</td>
</tr>
<tr>
<td>Granted</td>
<td>182,464</td>
<td>$ 65.83</td>
</tr>
<tr>
<td>Vested</td>
<td>(253,509)</td>
<td>$ 52.25</td>
</tr>
<tr>
<td>Canceled</td>
<td>(91,014)</td>
<td>$ 50.99</td>
</tr>
<tr>
<td>Non-vested share units expected to vest as of December 31, 2016</td>
<td>342,152</td>
<td>$ 61.78</td>
</tr>
</tbody>
</table>

The weighted-average estimated fair value of performance share units granted during the year ended 2015 and 2014 was $71.36 and $56.72, respectively. The total fair value of shares released on the vesting of performance share units during the years ended December 31, 2016, 2015 and 2014 was $16.9 million, $18.3 million and $0.4 million, respectively. As of December 31, 2016, we had $7.9 million of total unrecognized compensation expense, net of estimated forfeitures, related to performance share unit grants, which will be recognized over the weighted-average period of 1.06 years.

The shares underlying our restricted stock awards to age and service eligible senior officers are issued as of the grant date in an amount equal to 200% of the target number of shares. Following the vesting date, the restrictions will lift with respect to the number of shares for which the performance criteria was met and any excess shares will be cancelled. Dividends will accrue on the issued restricted shares during the vesting period, but will not be paid to the recipient until the awards vest and the final number of shares underlying the award is determined, at which point, the dividends will be paid in cash only on the earned shares. We estimate the fair value of each restricted stock award when the grant is authorized and the related service period has commenced. We remeasure the fair value of these restricted stock awards in each subsequent reporting period until the grant date has occurred, which is the date when the performance conditions are satisfied. We recognize compensation cost over the vesting period based on the probability of the service and performance conditions being achieved adjusted for each subsequent fair value measurement until the grant date. If the specified service and performance conditions are not met, compensation expense will not be recognized, any previously recognized compensation expense will be reversed, and any unearned shares will be returned to the Company. Restricted stock awards activity is summarized in the following table:

<table>
<thead>
<tr>
<th>Restricted Stock Awards Activity</th>
<th>Number of Awards</th>
<th>Weighted-Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-vested share units at January 1, 2016</td>
<td>—</td>
<td>$ —</td>
</tr>
<tr>
<td>Granted</td>
<td>132,228</td>
<td>$ 66.93</td>
</tr>
<tr>
<td>Vested</td>
<td>—</td>
<td>$ —</td>
</tr>
<tr>
<td>Canceled</td>
<td>—</td>
<td>$ —</td>
</tr>
<tr>
<td>Non-vested share units expected to vest as of December 31, 2016</td>
<td>132,228</td>
<td>$ 66.93</td>
</tr>
</tbody>
</table>

As of December 31, 2016, we had $1.5 million of total unrecognized compensation expense, net of estimated forfeitures, related to restricted stock award grants, which will be recognized over the weighted-average period of 0.18 years.

**Note 10. Earnings Per Share**

A reconciliation between basic and diluted earnings per share is as follows (in thousands, except per share data):
### Note 11. Retirement Plan

We maintain a defined contribution plan covering full-time shoreside employees who have completed the minimum period of continuous service. Annual contributions to the plan are discretionary and are based on fixed percentages of participants' salaries and years of service, not to exceed certain maximums. Contribution expenses were $16.7 million, $16.8 million, and $15.4 million for the years ended December 31, 2016, 2015, and 2014, respectively.

### Note 12. Income Taxes

We are subject to corporate income taxes in countries where we have operations or subsidiaries. We and the majority of our ship-operating and vessel-owning subsidiaries are currently exempt from U.S. corporate tax on U.S. source income from the international operation of ships pursuant to Section 883 of the Internal Revenue Code. Regulations under Section 883 have limited the activities that are considered the international operation of a ship or incidental thereto. Accordingly, our provision for U.S. federal and state income taxes includes taxes on certain activities not considered incidental to the international operation of our ships.

Additionally, some of our ship-operating subsidiaries are subject to income tax under the tonnage tax regimes of Malta or the United Kingdom. Under these regimes, income from qualifying activities is subject to corporate income tax, but the tax is computed by reference to the tonnage of the ship or ships registered under the relevant provisions of the tax regimes (the "relevant shipping profits"), which replaces the regular taxable income base. Income from activities not considered qualifying activities, which we do not consider significant, remains subject to Maltese or U.K. corporate income tax.

Income tax expense (benefit) for items not qualifying under Section 883, tonnage taxes and income taxes for the remainder of our subsidiaries was approximately $20.1 million, $11.1 million and $(20.9) million and was recorded within Other income (expense) for the years ended December 31, 2016, 2015 and 2014, respectively. In addition, all interest expense and penalties related to income tax liabilities are classified as income tax expense within Other income (expense).

For a majority of our subsidiaries, we do not expect to incur income taxes on future distributions of undistributed earnings of foreign subsidiaries. Accordingly, no deferred income taxes have been provided for the distribution of these earnings. Where we do expect to incur income taxes on future distributions of undistributed earnings, we have provided for deferred taxes, which we do not consider significant to our operations.

As of December 31, 2016, the Company had Net Operating Losses ("NOLs") in foreign jurisdictions of $67.6 million. If not utilized, $51.8 million of the NOLs are subject to expiration between 2017 and 2024. The Company has not recognized any benefits related to these NOLs, as all NOLs have full valuation allowances.
Net deferred tax assets and deferred tax liabilities and corresponding valuation allowances related to our operations were not material as of December 31, 2016 and 2015.

We regularly review deferred tax assets for recoverability based on our history of earnings, expectations of future earnings, and tax planning strategies. Realization of deferred tax assets ultimately depends on the existence of sufficient taxable income to support the amount of deferred taxes. A valuation allowance is recorded in those circumstances in which we conclude it is not more-likely-than-not we will recover the deferred tax assets prior to their expiration.

During the fourth quarter of 2014, Spain adopted tax reform legislation, which included among other things, a reduction of the corporate income tax rate from 30% to 28% in 2015 and a further reduction to 25% in 2016. As a result, we adjusted our deferred tax assets and deferred tax liabilities in Spain to reflect the new tax rate at which we believe they will be realized. This change resulted in a net deferred income tax benefit of $10.0 million. The tax reform also amended the net operating loss carryforward rules by changing the carryforward period from 18 years to unlimited and by changing the annual utilization limitation from 25% of taxable income to 70% of taxable income for certain taxpayers, including Pullmantur. As a result of the change of the net operating loss carryforward period, we reversed a portion of the valuation allowance recorded in 2012 to the extent of 70% of the rate-adjusted deferred tax liability recorded for the basis difference between the tax and book values of the trademarks and trade names recorded at the time of the Pullmantur acquisition and other indefinite lived assets recorded. The amount of the valuation allowance reversed in the fourth quarter of 2014 was $33.5 million which was recorded as a deferred tax benefit.

During the third quarter of 2015, the Pullmantur trademark and trade names were impaired. As a result of the impairment, there was no longer a difference between the book and tax basis of the trademark and trade names. During the third quarter of 2015, we reversed the deferred tax liability of $43.4 million and increased the deferred tax asset valuation allowance by $31.4 million, or to 100% of the deferred tax asset balance. The resulting net $12.0 million deferred tax benefit was recorded as part of our income tax provision and was reported within Other income (expense) in our consolidated statements of comprehensive income (loss). Effective July 31, 2016, we sold 51% of our interest in Pullmantur Holdings. For further information on the sale transaction, refer to Note 1. General.

**Note 13. Changes in Accumulated Other Comprehensive Income (Loss)**

The following table presents the changes in accumulated other comprehensive income (loss) by component for the years ended December 31, 2016 and 2015 (in thousands):

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ROYAL CARIBBEAN CRUISES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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The following table presents reclassifications out of accumulated other comprehensive income (loss) for the years ended December 31, 2016 and 2015 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Changes related to cash flow derivative hedges</th>
<th>Changes in defined benefit plans</th>
<th>Foreign currency translation adjustments</th>
<th>Accumulated other comprehensive income (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated comprehensive income (loss) at January 1, 2014</td>
<td>$43,324</td>
<td>$(23,994)</td>
<td>$(13,659)</td>
<td>$5,671</td>
</tr>
<tr>
<td>Other comprehensive loss before reclassifications</td>
<td>(919,094)</td>
<td>(8,937)</td>
<td>(28,099)</td>
<td>(956,130)</td>
</tr>
<tr>
<td>Amounts reclassified from accumulated other comprehensive income (loss)</td>
<td>49,744</td>
<td>1,724</td>
<td>1,997</td>
<td>53,465</td>
</tr>
<tr>
<td>Net current-period other comprehensive loss</td>
<td>(869,350)</td>
<td>(7,213)</td>
<td>(26,102)</td>
<td>(902,665)</td>
</tr>
<tr>
<td>Accumulated comprehensive loss at January 1, 2015</td>
<td>(826,026)</td>
<td>(31,207)</td>
<td>(39,761)</td>
<td>(896,994)</td>
</tr>
<tr>
<td>Other comprehensive (loss) income before reclassifications</td>
<td>(697,671)</td>
<td>3,053</td>
<td>(25,952)</td>
<td>(720,570)</td>
</tr>
<tr>
<td>Amounts reclassified from accumulated other comprehensive loss</td>
<td>291,624</td>
<td>1,707</td>
<td>(4,200)</td>
<td>289,131</td>
</tr>
<tr>
<td>Net current-period other comprehensive (loss) income</td>
<td>(406,047)</td>
<td>4,760</td>
<td>(30,152)</td>
<td>(431,439)</td>
</tr>
<tr>
<td>Accumulated comprehensive loss at January 1, 2015</td>
<td>(1,232,073)</td>
<td>(26,447)</td>
<td>(69,913)</td>
<td>(1,328,433)</td>
</tr>
<tr>
<td>Other comprehensive income (loss) before reclassifications</td>
<td>73,973</td>
<td>(2,777)</td>
<td>2,362</td>
<td>73,558</td>
</tr>
<tr>
<td>Amounts reclassified from accumulated other comprehensive income (loss)</td>
<td>337,250</td>
<td>1,141</td>
<td>—</td>
<td>338,391</td>
</tr>
<tr>
<td>Net current-period other comprehensive income (loss)</td>
<td>411,223</td>
<td>(1,636)</td>
<td>2,362</td>
<td>411,949</td>
</tr>
<tr>
<td>Accumulated comprehensive loss at December 31, 2016</td>
<td>$820,850</td>
<td>$(28,083)</td>
<td>$(67,551)</td>
<td>$(916,484)</td>
</tr>
</tbody>
</table>
## Details about Accumulated Other Comprehensive Income (Loss) Components

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount of Loss Reclassified from Accumulated Other Comprehensive Income (Loss) into Income</th>
<th>Affected Line Item in Statements of Comprehensive Income (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross currency swaps</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>(41,480)</td>
<td>(36,401)</td>
</tr>
<tr>
<td>Foreign currency forward contracts</td>
<td>(8,114)</td>
<td>(2,871)</td>
</tr>
<tr>
<td>Foreign currency forward contracts</td>
<td>(14,342)</td>
<td>7,580</td>
</tr>
<tr>
<td>Foreign currency forward contracts</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign currency forward contracts</td>
<td>(207)</td>
<td>—</td>
</tr>
<tr>
<td>Foreign currency collar options</td>
<td>(2,408)</td>
<td>(1,605)</td>
</tr>
<tr>
<td>Fuel swaps</td>
<td>13,685</td>
<td>(9,583)</td>
</tr>
<tr>
<td>Fuel swaps</td>
<td>(284,384)</td>
<td>(248,744)</td>
</tr>
<tr>
<td></td>
<td>(337,250)</td>
<td>(291,624)</td>
</tr>
<tr>
<td>Amortization of defined benefit plans:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>(1,141)</td>
<td>(1,414)</td>
</tr>
<tr>
<td>Prior service costs</td>
<td>—</td>
<td>(293)</td>
</tr>
<tr>
<td>Release of foreign cumulative translation due to sale or liquidation of businesses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign cumulative translation</td>
<td>—</td>
<td>4,200</td>
</tr>
<tr>
<td>Total reclassifications for the period</td>
<td>$ (338,391)</td>
<td>$ (289,131)</td>
</tr>
</tbody>
</table>

### Note 14. Fair Value Measurements and Derivative Instruments

#### Fair Value Measurements

The estimated fair value of our financial instruments that are not measured at fair value, categorized based upon the fair value hierarchy, are as follows (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Total Carrying Amount</th>
<th>Total Fair Value</th>
<th>Level 1 (1)</th>
<th>Level 2 (2)</th>
<th>Level 3 (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (4)</td>
<td>$ 132,603</td>
<td>$ 132,603</td>
<td>$ 132,603</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$ 132,603</td>
<td>$ 132,603</td>
<td>$ 132,603</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt (including current portion of long-term debt) (5)</td>
<td>$ 9,347,051</td>
<td>$ 9,859,266</td>
<td>$ —</td>
<td>$ 9,859,266</td>
<td>$ —</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$ 9,347,051</td>
<td>$ 9,859,266</td>
<td>$ —</td>
<td>$ 9,859,266</td>
<td>$ —</td>
</tr>
</tbody>
</table>
(1) Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access. Valuation of these items does not entail a significant amount of judgment.

(2) Inputs other than quoted prices included within Level 1 that are observable for the liability, either directly or indirectly. For foreign currency forward contracts and unsecured term loans, fair value is determined utilizing the income valuation approach. This valuation model takes into account the contract terms of our debt such as the debt maturity and the interest rate on the debt. The valuation model also takes into account the creditworthiness of the Company.

(3) Inputs that are unobservable. The Company did not use any Level 3 inputs as of December 31, 2016 and December 31, 2015.

(4) Consists of cash and marketable securities with original maturities of less than 90 days.

(5) Consists of unsecured revolving credit facilities, senior notes, senior debentures and term loans. Does not include our capital lease obligations.

**Other Financial Instruments**

The carrying amounts of accounts receivable, accounts payable, accrued interest and accrued expenses approximate fair value at December 31, 2016 and December 31, 2015.

Assets and liabilities that are recorded at fair value have been categorized based upon the fair value hierarchy. The following table presents information about the Company’s financial instruments recorded at fair value on a recurring basis (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Fair Value Measurements at December 31, 2016 Using</th>
<th>Fair Value Measurements at December 31, 2015 Using</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Fair Value</td>
<td>Level 1 (1)</td>
</tr>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments (4)</td>
<td>$ 19,397</td>
<td>$ —</td>
</tr>
<tr>
<td>Investments (3)</td>
<td>$ 3,576</td>
<td>3,576</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$ 22,973</td>
<td>3,576</td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments (5)</td>
<td>$ 373,497</td>
<td>—</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$ 373,497</td>
<td>—</td>
</tr>
</tbody>
</table>

(1) Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access. Valuation of these items does not entail a significant amount of judgment.

(2) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. For foreign currency forward contracts, interest rate swaps, cross currency swaps and fuel swaps, fair value is derived using valuation models that utilize the income valuation approach. These valuation models take into account the contract terms, such as maturity as well as other inputs, such as foreign exchange rates and curves, fuel types, fuel curves and interest rate yield curves. Fair value for foreign currency collar options is determined by using standard option pricing models with inputs based on the options’ contract terms, such as exercise price and maturity, and readily available public market data, such as foreign exchange curves, foreign exchange volatility levels and discount rates. All derivative instrument fair values take into account the creditworthiness of the counterparty and the Company.

(3) Inputs that are unobservable. The Company did not use any Level 3 inputs as of December 31, 2016 and December 31, 2015.

(4) Consists of foreign currency forward contracts, interest rate swaps and fuel swaps. Please refer to the "Fair Value of Derivative Instruments" table for breakdown by instrument type.

(5) Consists of exchange-traded equity securities and mutual funds reported within Other assets in our consolidated balance sheets.

(6) Consists of foreign currency forward contracts, interest rate swaps and fuel swaps. Please refer to the "Fair Value of Derivative Instruments" table for breakdown by instrument type.

The reported fair values are based on a variety of factors and assumptions. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized as of December 31, 2016 or December 31, 2015, or that will be realized in the future, and do not include expenses that could be incurred in an actual sale or settlement.

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In 2016, we purchased Ocean Adventures. The acquisition was accounted for as a business purchase combination using the purchase method of accounting which requires the use of fair value measurements. The business combination, including purchase transaction and assets acquired, was immaterial to our consolidated financial statements. For goodwill attributable to the purchase, refer to Note 3. Goodwill.

The following table presents information about the Company's goodwill, indefinite-life intangible assets and long-lived assets for our Pullmantur reporting unit, further discussed in Note 3. Goodwill and Note 4. Intangible Assets, recorded at fair value on a nonrecurring basis (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Total Carrying Amount</th>
<th>Total Fair Value</th>
<th>Level 3</th>
<th>Total Impairment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pullmantur Goodwill</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$123,814</td>
</tr>
<tr>
<td>Indefinite-life intangible asset-Pullmantur trademarks and trade names</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$174,285</td>
</tr>
<tr>
<td>Long-lived assets — Pullmantur aircraft and vessels</td>
<td>$140,846</td>
<td>$140,846</td>
<td>$140,846</td>
<td>$113,168</td>
</tr>
<tr>
<td>Total</td>
<td>$140,846</td>
<td>$140,846</td>
<td>$140,846</td>
<td>$411,267</td>
</tr>
</tbody>
</table>

(1) We estimated the fair value of the Pullmantur reporting unit using a probability-weighted discounted cash flow model. The principal assumptions used in the discounted cash flow model are projected operating results, weighted-average cost of capital and terminal value. Significantly impacting these assumptions was the decision to reduce the size of Pullmantur's fleet. The discounted cash flow model used our 2016 projected operating results as a base. To that base we added future years’ cash flows through 2020 assuming multiple revenue and expense scenarios that reflect the impact of different global economic environments for this period on Pullmantur’s reporting unit. We assigned a probability to each revenue and expense scenario. We discounted the projected cash flows using rates specific to Pullmantur's reporting unit based on its weighted-average cost of capital, which was determined to be 11%. The fair value of Pullmantur's goodwill was estimated as of August 31, 2015, the date of the last impairment test, at which point it was fully impaired.

(2) We estimated the fair value of our indefinite-life intangible asset using a discounted cash flow model and the relief-from-royalty method. These trademarks and trade names relate to Pullmantur and we have used a discount rate of 11.5%, comparable to the rate used in valuing the Pullmantur reporting unit. The fair value of these assets were estimated as of August 31, 2015, the date of the last impairment test, at which point they were fully impaired.

(3) We estimated the fair value of our long-lived assets using the market approach for the aircraft and a blended indication from the cost and market approaches for the vessels as of August 31, 2015, the date of the last impairment test, including depreciation through December 31, 2015. We believe this amount estimates fair value as of December 31, 2015. A significant input in performing the fair value assessments for these assets was comparable market transactions.

We have master International Swaps and Derivatives Association (“ISDA”) agreements in place with our derivative instrument counterparties. These ISDA agreements provide for final close out netting with our counterparties for all positions in the case of default or termination of the ISDA agreement. We have determined that our ISDA agreements provide us with rights of setoff on the fair value of derivative instruments in a gain position and those in a loss position with the same counterparty. We have elected not to offset such derivative instrument fair values in our consolidated balance sheets.

See Credit Related Contingent Features for further discussion on contingent collateral requirements for our derivative instruments.

The following table presents information about the Company’s offsetting of financial assets under master netting agreements with derivative counterparties:

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The following table presents information about the Company’s offsetting of financial liabilities under master netting agreements with derivative counterparties:

<table>
<thead>
<tr>
<th>Gross Amounts not Offset in the Consolidated Balance Sheet that are Subject to Master Netting Agreements</th>
<th>As of December 31, 2016</th>
<th>As of December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Amount of Derivative Assets Presented in the Consolidated Balance Sheet</td>
<td>Gross Amount of Eligible Offsetting Recognized Derivative Liabilities</td>
<td>Cash Collateral Received</td>
</tr>
<tr>
<td>(In thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives subject to master netting agreements</td>
<td>$19,397</td>
<td>$(19,397)</td>
</tr>
<tr>
<td>Total</td>
<td>$19,397</td>
<td>$(19,397)</td>
</tr>
</tbody>
</table>

Derivative Instruments

We are exposed to market risk attributable to changes in interest rates, foreign currency exchange rates and fuel prices. We manage 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 notional 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, we do not hold or issue derivative financial instruments for trading or other speculative purposes. We monitor our derivative positions using techniques including market valuations and sensitivity analyses.

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.

At inception of the hedge relationship, a derivative instrument that hedges the exposure to changes in the fair value of a firm commitment or a recognized asset or liability is designated as a fair value hedge. A derivative instrument that hedges a forecasted transaction or the variability of cash flows related to a recognized asset or liability is designated as a cash flow hedge.

Changes in the fair value of derivatives that are designated as fair value hedges are offset against changes in the fair value of the underlying hedged assets, liabilities or firm commitments. Gains and losses on derivatives that are designated as cash flow hedges are recorded as a component of Accumulated other comprehensive loss until the underlying hedged transactions are recognized in earnings. The foreign currency transaction gain or loss of our non-derivative financial instruments and the changes
in the fair value of derivatives designated as hedges of our net investment in foreign operations and investments are recognized as a component of *Accumulated other comprehensive loss* along with the associated foreign currency translation adjustment of the foreign operation.

On an ongoing basis, we assess whether derivatives used in hedging transactions are "highly effective" in offsetting changes in the fair value or cash flow of hedged items. We use the long-haul method to assess hedge effectiveness using regression analysis for each hedge relationship under our interest rate, foreign currency and fuel hedging programs. We apply the same methodology on a consistent basis for assessing hedge effectiveness to all hedges within each hedging program (i.e., interest rate, foreign currency and fuel). We perform regression analyses over an observation period of up to three years, utilizing market data relevant to the hedge horizon of each hedge relationship. High effectiveness is achieved when a statistically valid relationship reflects a high degree of offset and correlation between the changes in the fair values of the derivative instrument and the hedged item. The determination of ineffectiveness is based on the amount of dollar offset between the change in fair value of the derivative instrument and the change in fair value of the hedged item at the end of the reporting period. If it is determined that a derivative is not highly effective as a hedge or hedge accounting is discontinued, any change in fair value of the derivative since the last date at which it was determined to be effective is recognized in earnings. In addition, the ineffective portion of our highly effective hedges is immediately recognized in earnings and reported in *Other income (expense)* in our consolidated statements of comprehensive income (loss).

Cash flows from derivative instruments that are designated as fair value or cash flow hedges are classified in the same category as the cash flows from the underlying hedged items. In the event that hedge accounting is discontinued, cash flows subsequent to the date of discontinuance are classified within investing activities. Cash flows from derivative instruments not designated as hedging instruments are classified as investing activities.

We consider the classification of the underlying hedged item’s cash flows in determining the classification for the designated derivative instrument’s cash flows. We classify derivative instrument cash flows from hedges of benchmark interest rate or hedges of fuel expense as operating activities due to the nature of the hedged item. Likewise, we classify derivative instrument cash flows from hedges of foreign currency risk on our newbuild ship payments as investing activities and derivative instrument cash flows from hedges of foreign currency risk on debt payments as financing activities.

*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, 2016, approximately 40.5% of our long-term debt was effectively fixed as compared to 31.2% as of December 31, 2015. 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, 2016 and December 31, 2015, we maintained interest rate swap agreements on the following fixed-rate debt instruments:

<table>
<thead>
<tr>
<th>Debt Instrument</th>
<th>Swap Notional as of December 31, 2016 (in thousands)</th>
<th>Maturity</th>
<th>Debt Fixed Rate</th>
<th>Swap Floating Rate: LIBOR plus</th>
<th>All-in Swap Floating Rate as of December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oasis of the Seas</td>
<td>$175,000</td>
<td>October 2021</td>
<td>5.41%</td>
<td>3.87%</td>
<td>5.13%</td>
</tr>
<tr>
<td>Unsecured senior notes</td>
<td>650,000</td>
<td>November 2022</td>
<td>5.25%</td>
<td>3.63%</td>
<td>4.54%</td>
</tr>
</tbody>
</table>

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

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. At December 31, 2016 and December 31, 2015, we maintained interest rate swap agreements on the following floating-rate debt instruments:

<table>
<thead>
<tr>
<th>Debt Instrument</th>
<th>Swap Notional as of December 31, 2016 (in thousands)</th>
<th>Maturity</th>
<th>Debt Floating Rate</th>
<th>All-in Swap Fixed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Celebrity Reflection</td>
<td>$436,333</td>
<td>October 2024</td>
<td>LIBOR plus 0.40%</td>
<td>2.85%</td>
</tr>
<tr>
<td>Quantum of the Seas</td>
<td>612,500</td>
<td>October 2026</td>
<td>LIBOR plus 1.30%</td>
<td>3.74%</td>
</tr>
<tr>
<td>Anthem of the Seas</td>
<td>634,375</td>
<td>April 2027</td>
<td>LIBOR plus 1.30%</td>
<td>3.86%</td>
</tr>
<tr>
<td>Ovation of the Seas</td>
<td>795,417</td>
<td>April 2028</td>
<td>LIBOR plus 1.00%</td>
<td>3.16%</td>
</tr>
<tr>
<td>Harmony of the Seas</td>
<td>701,056</td>
<td>May 2028</td>
<td>EURIBOR plus 1.15%</td>
<td>2.26%</td>
</tr>
</tbody>
</table>

| Total                 | $3,179,681                                           |              |                   |                                |

(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, 2016.

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

The notional amount of interest rate swap agreements related to outstanding debt and on our current unfunded financing arrangements as of December 31, 2016 and 2015 was $4.0 billion and $4.3 billion, respectively.

**Foreign Currency Exchange Rate Risk**

**Derivative Instruments**

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. We enter into foreign currency forward contracts, collar options and cross currency swap agreements to manage portions of the exposure to movements in foreign currency exchange rates. As of December 31, 2016, the aggregate cost of our ships on order, not including the TUI Cruises' ships on order and those subject to conditions to effectiveness, was approximately $8.4 billion, of which we had deposited $316.1 million as of such date. Approximately 66.7% and 58.2% of the aggregate cost of the ships under construction was exposed to fluctuations in the Euro exchange rate at December 31, 2016 and 2015, respectively. The majority of our foreign currency forward contracts, collar options and cross currency swap agreements are accounted for as cash flow, fair value or net investment hedges depending on the designation of the related hedge.

On a regular basis, we enter into foreign currency forward contracts and, from time to time, we utilize cross-currency swap agreements 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 the fourth quarter of 2016, we maintained an average of approximately $642.4 million of these foreign currency forward contracts. These instruments are not designated as hedging instruments. In 2016, 2015 and 2014 changes in the fair value of the foreign currency forward contracts were losses of approximately $51.1 million, $55.5 million and $48.6 million, respectively, which offset gains arising from the remeasurement of monetary assets and liabilities denominated in foreign currencies in those same years of $39.8 million, $34.6 million and $49.5 million, respectively. These changes were recognized in earnings within Other income (expense) in our consolidated statements of comprehensive income (loss).

The notional amount of outstanding foreign exchange contracts, including our forward contracts and collar options, as of December 31, 2016 and 2015 was $1.3 billion and $2.4 billion, respectively.

**Non-Derivative Instruments**

We also address the exposure of our investments in foreign operations by denominated 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 in TUI Cruises of approximately €295.0 million, or approximately $311.2 million, through December 31, 2016. As of December 31, 2015, no debt was designated as a hedge of our net investments in Pullmantur and TUI Cruises.

**Fuel Price Risk**

Our exposure to market risk for changes in fuel prices relates primarily to the consumption of fuel on our ships. We use fuel swap agreements to mitigate the financial impact of fluctuations in fuel prices.

Our fuel swap agreements are accounted for as cash flow hedges. At December 31, 2016, we have hedged the variability in future cash flows for certain forecasted fuel transactions occurring through 2020. As of December 31, 2016 and 2015, we had the following outstanding fuel swap agreements:

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2016</th>
<th>As of December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(metric tons)</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>—</td>
<td>930,000</td>
</tr>
<tr>
<td>2017</td>
<td>799,065</td>
<td>854,000</td>
</tr>
<tr>
<td>2018</td>
<td>616,500</td>
<td>583,000</td>
</tr>
<tr>
<td>2019</td>
<td>521,000</td>
<td>231,000</td>
</tr>
<tr>
<td>2020</td>
<td>306,500</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2016</th>
<th>As of December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(% hedged)</td>
<td></td>
</tr>
<tr>
<td>Projected fuel purchases for year:</td>
<td></td>
<td>65%</td>
</tr>
<tr>
<td>2016</td>
<td>—</td>
<td>65%</td>
</tr>
<tr>
<td>2017</td>
<td>60%</td>
<td>59%</td>
</tr>
<tr>
<td>2018</td>
<td>44%</td>
<td>40%</td>
</tr>
<tr>
<td>2019</td>
<td>35%</td>
<td>15%</td>
</tr>
<tr>
<td>2020</td>
<td>20%</td>
<td>—%</td>
</tr>
</tbody>
</table>

At December 31, 2016 and 2015, $138.5 million and $321.0 million, respectively, of estimated unrealized net loss associated with our cash flow hedges pertaining to fuel swap agreements were expected to be reclassified to earnings from Accumulated other comprehensive loss within the next 12 months. Reclassification is expected to occur as the result of fuel consumption associated with our hedged forecasted fuel purchases.

F-37
The fair value and line item caption of derivative instruments recorded within our consolidated balance sheets were as follows:

<table>
<thead>
<tr>
<th>Derivatives designated as hedging instruments under ASC 815-20</th>
<th>Balance Sheet Location</th>
<th>Fair Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swaps</td>
<td>Other assets</td>
<td>$5,246</td>
<td>$—</td>
</tr>
<tr>
<td>Foreign currency forward contracts</td>
<td>Derivative financial instruments</td>
<td>—</td>
<td>93,996</td>
</tr>
<tr>
<td>Foreign currency forward contracts</td>
<td>Other assets</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Fuel swaps</td>
<td>Derivative financial instruments</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fuel swaps</td>
<td>Other assets</td>
<td>$13,608</td>
<td>$—</td>
</tr>
<tr>
<td>Total derivatives designated as hedging instruments under ASC 815-20</td>
<td></td>
<td>18,854</td>
<td>93,996</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Derivatives not designated as hedging instruments under ASC 815-20</th>
<th>Balance Sheet Location</th>
<th>Fair Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign currency forward contracts</td>
<td>Derivative Financial Instruments</td>
<td>—</td>
<td>32,339</td>
</tr>
<tr>
<td>Fuel swaps</td>
<td>Derivative financial instruments</td>
<td>—</td>
<td>8,239</td>
</tr>
<tr>
<td>Fuel swaps</td>
<td>Other assets</td>
<td>543</td>
<td>—</td>
</tr>
<tr>
<td>Total derivatives not designated as hedging instruments under ASC 815-20</td>
<td></td>
<td>543</td>
<td>40,578</td>
</tr>
<tr>
<td>Total derivatives</td>
<td></td>
<td>$19,397</td>
<td>$134,574</td>
</tr>
</tbody>
</table>

(1) Accounting Standard Codification 815-20 "Derivatives and Hedging."

The carrying value and line item caption of non-derivative instruments designated as hedging instruments recorded within our consolidated balance sheets were as follows:

<table>
<thead>
<tr>
<th>Non-derivative instrument designated as hedging instrument under ASC 815-20</th>
<th>Balance Sheet Location</th>
<th>As of December 31, 2016</th>
<th>As of December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign currency debt</td>
<td>Current portion of long-term debt</td>
<td>$61,601</td>
<td>$—</td>
</tr>
<tr>
<td>Foreign currency debt</td>
<td>Long-term debt</td>
<td>249,624</td>
<td>$—</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$311,225</td>
<td>$—</td>
</tr>
</tbody>
</table>

The effect of derivative instruments qualifying and designated as hedging instruments and the related hedged items in fair value hedges on the consolidated statements of comprehensive income (loss) was as follows:

F-38
### Derivatives and Related Hedged Items under ASC 815-20 Fair Value Hedging Relationships

<table>
<thead>
<tr>
<th></th>
<th>Amount of Gain (Loss) Recognized in Income on Derivative</th>
<th>Amount of Gain (Loss) Recognized in Income on Hedged Item</th>
<th>Location of Gain (Loss) Recognized in Income on Derivative</th>
<th>Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)</th>
<th>Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)</th>
<th>Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(In thousands)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest rate swaps</strong></td>
<td>$7,448</td>
<td>$11,276</td>
<td>$7,203</td>
<td>$15,743</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest rate swaps</strong></td>
<td>$(3,625)</td>
<td>10,779</td>
<td>5,072</td>
<td>(7,533)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>$3,823</strong></td>
<td><strong>$22,055</strong></td>
<td><strong>$12,275</strong></td>
<td><strong>$8,210</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The effect of derivative instruments qualifying and designated as cash flow hedging instruments on the consolidated financial statements was as follows:

<table>
<thead>
<tr>
<th>Derivatives under ASC 815-20 Cash Flow Hedging Relationships</th>
<th>Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives (Effective Portion)</th>
<th>Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)</th>
<th>Location of Gain (Loss) Recognized in Income on Derivative</th>
<th>Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)</th>
<th>Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(In thousands)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest rate swaps</strong></td>
<td>$(31,049)</td>
<td>$(52,602)</td>
<td>Interest expense</td>
<td>(41,480)</td>
<td>(36,401)</td>
</tr>
<tr>
<td>Foreign currency forward contracts</td>
<td>$(51,092)</td>
<td>$(141,470)</td>
<td>Depreciation and amortization expenses</td>
<td>(8,114)</td>
<td>(2,871)</td>
</tr>
<tr>
<td>Foreign currency forward contracts</td>
<td>—</td>
<td>—</td>
<td>Other income (expense)</td>
<td>(14,342)</td>
<td>7,580</td>
</tr>
<tr>
<td>Foreign currency forward contracts</td>
<td>—</td>
<td>—</td>
<td>Other indirect operating expenses</td>
<td>(207)</td>
<td>—</td>
</tr>
<tr>
<td>Foreign currency collar options</td>
<td>—</td>
<td>(64,559)</td>
<td>Depreciation and amortization expenses</td>
<td>(2,408)</td>
<td>(1,605)</td>
</tr>
<tr>
<td>Fuel swaps</td>
<td>156,139</td>
<td>(439,040)</td>
<td>Other income (expense)</td>
<td>13,685</td>
<td>(9,583)</td>
</tr>
<tr>
<td></td>
<td><strong>$73,998</strong></td>
<td><strong>(697,671)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

F-39
The effect of non-derivative instruments qualifying and designated as net investment hedging instruments on the consolidated financial statements was as follows:

<table>
<thead>
<tr>
<th>Non-derivative instruments under ASC 815-20</th>
<th>Amount of Gain (Loss) Recognized in Other Comprehensive Income (Effective Portion)</th>
<th>Location of Gain (Loss) in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)</th>
<th>Amount of Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Currency Debt</td>
<td>$20,295</td>
<td>$8,955</td>
<td>Other income (expense)</td>
</tr>
</tbody>
</table>

The effect of derivatives not designated as hedging instruments on the consolidated financial statements was as follows:

<table>
<thead>
<tr>
<th>Derivatives Not Designated as Hedging Instruments under ASC 815-20</th>
<th>Amount of Gain (Loss) Recognized in Income on Derivatives</th>
<th>Location of Gain (Loss) Recognized in Income on Derivatives</th>
<th>Year Ended December 31, 2016</th>
<th>Year Ended December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign currency forward contracts</td>
<td>Other income (expense)</td>
<td>$</td>
<td>(51,029)</td>
<td>$</td>
</tr>
<tr>
<td>Fuel swaps</td>
<td>Other income (expense)</td>
<td>$</td>
<td>(1,000)</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>(52,029)</td>
<td>$</td>
</tr>
</tbody>
</table>

Credit Related Contingent Features

Our current interest rate derivative instruments may require us to post collateral if our Standard & Poor's and Moody's credit ratings remain below specified levels. Generally, if on the fifth anniversary of executing a derivative instrument or on any succeeding fifth-year anniversary our credit ratings for our senior unsecured debt were to be rated below BBB- by Standard & Poor's and Baa3 by Moody's, then the counterparty may periodically demand that we post collateral in an amount equal to the difference between (i) the net market value of all derivative transactions with such counterparty that have reached their fifth year anniversary, to the extent negative, and (ii) the applicable minimum call amount.

The amount of collateral required to be posted following such event will change as, and to the extent, our net liability position increases or decreases by more than the applicable minimum call amount. If our credit rating for our senior unsecured debt is subsequently equal to, or above BBB- by Standard & Poor's or Baa3 by Moody's, then any collateral posted at such time will be released to us and we will no longer be required to post collateral unless we meet the collateral trigger requirement at the next fifth-year anniversary. Currently, our senior unsecured debt credit rating is BB+ with a positive outlook by Standard & Poor's and Ba1 with a positive outlook by Moody's. We currently have seven interest rate derivative hedges that have a term of at least five years. As of December 31, 2016, two of these instruments had reached their fifth anniversary, and, accordingly, we posted $7.2 million in collateral as of such date.

During the next 12 months, two more of our interest rate derivative hedges will reach their fifth anniversary. If each of these two interest rate hedges had already reached its fifth anniversary as of December 31, 2016, our maximum collateral exposure would have been $22.8 million. Similarly, our maximum collateral exposure as of December 31, 2015, would have been $14.6 million if all hedges scheduled to reach their fifth anniversary date within one year had instead reached their fifth anniversary as of December 31, 2015.
Note 15. Commitments and Contingencies

Capital Expenditures

Our future capital commitments consist primarily of new ship orders. As of December 31, 2016, we had two Quantum-class ships and two Oasis-class ships on order for our Royal Caribbean International brand with an aggregate capacity of approximately 19,200 berths. Additionally, we have four "Project Edge" ships on order for our Celebrity Cruises brand with an aggregate capacity of approximately 11,600 berths. The following provides further information on our ship orders:

During 2016, we entered into credit agreements for the unsecured financing of our first two "Project Edge" ships for up to 80% of each ship’s contract price through facilities to be guaranteed 100% by COFACE, the official export credit agency of France. The ships will each have a capacity of approximately 2,900 berths and are expected to enter service in the fourth quarter of 2018 and the first half of 2020, respectively. Under these financing arrangements, we have the right, but not the obligation, to satisfy the obligations to be incurred upon delivery and acceptance of each vessel under the shipbuilding contract by assuming, at delivery and acceptance, the debt indirectly incurred by the shipbuilder during the construction of each ship. The maximum loan amount under each facility is not to exceed the United States dollar equivalent of €622.6 million and €652.6 million, or approximately $656.8 million and $688.5 million, respectively, based on the exchange rate at December 31, 2016, for the first "Project Edge" ship delivery and the second "Project Edge" ship delivery, respectively. The loans will amortize semi-annually and will mature 12 years following delivery of each ship. Interest on the loans will accrue at a fixed rate of 3.82%.

During 2016, we entered into agreements with STX France to build the fifth Oasis-class ship for Royal Caribbean International and a third and fourth "Project Edge" ship for Celebrity Cruises. We received commitments for the unsecured financing of the ships for up to 80% of the ship’s contract price through a facility to be guaranteed 100% by COFACE. The ships are expected to enter service during the second quarter of 2021, and fourth quarters of each of 2021 and 2022, respectively.

In October 2016, we signed a memorandum of understanding with Meyer Turku to build two ships of a new generation of ships for Royal Caribbean International, known as "Project Icon," which are expected to enter service in the second quarters of 2022 and 2024, respectively. While the design is still being finalized, each ship will likely accommodate approximately 5,000 guests. These orders are contingent upon completion of conditions precedent, including documentation and financing.

During 2015, we entered into a credit agreement for the unsecured financing of the fourth Oasis-class ship for Royal Caribbean International for up to 80% of the ship’s contract price through a facility to be guaranteed 100% by COFACE. The ship will have a capacity of approximately 5,450 berths and is expected to enter service in the first quarter of 2018. Under the financing arrangement, we have the right, but not the obligation, to satisfy the obligations to be incurred upon delivery and acceptance of the vessel under the shipbuilding contract by assuming, at delivery and acceptance, the debt indirectly incurred by the shipbuilder during the construction of the ship. The maximum loan amount under the facility is not to exceed the United States dollar equivalent of €931.2 million, or approximately $982.4 billion, based on the exchange rate at December 31, 2016. The loan will amortize semi-annually and will mature 12 years following delivery of the ship. Interest on the loan will accrue at a fixed rate of 3.82%. In 2017, we amended the €931.2 million credit agreement, increasing the maximum facility amount to approximately €1.0 billion.

In 2015, we entered into agreements with Meyer Werft to build the fourth and fifth Quantum-class ships for Royal Caribbean International. In 2015, we received credit agreements for the unsecured financing of the ships for up to 80% of each of the ship’s contract price. Hermes has agreed to guarantee to the lenders payment of 95% of the financing. The ships will each have a capacity of approximately 4,150 berths and is expected to enter service in the second quarter of 2019 and the fourth quarter of 2020, respectively. These credit agreements make available to us unsecured term loans in an amount up to the US dollar equivalent of €762.9 million and €777.5 million, or approximately $804.9 million and $820.3 million, respectively, based on the exchange rate at December 31, 2016. The loan amortizes semi-
annually and will mature 12 years following delivery of the ship. At our election, prior to the ship delivery, interest on the loans will accrue either (1) at a fixed rate of 3.45% (inclusive of the applicable margin) or (2) at a floating rate equal to LIBOR plus 0.95%.

As of December 31, 2016, the aggregate cost of our ships on order, not including the TUI Cruises’ ships on order and the "Project Icon" ships which remain subject to conditions of effectiveness, was approximately $8.4 billion, of which we had deposited $316.1 million as of such date. Approximately 66.7% of the aggregate cost was exposed to fluctuations in the Euro exchange rate at December 31, 2016. (Refer to Note 14. Fair Value Measurements and Derivative Instruments).

Litigation

In April 2015, the Alaska Department of Environmental Conservation issued Notices of Violation to Royal Caribbean International and Celebrity Cruises seeking monetary penalties for alleged violations of the Alaska Marine Visible Emission Standards that occurred over the previous five years on certain of our vessels. In February 2017, we settled all claims pursuant to a Compliance Order by Consent in which we agreed to pay an amount and perform certain remedial actions which, individually and in the aggregate, are immaterial to our financial condition or results of operations and cash flows.

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.

Operating Leases

We are obligated under other noncancelable operating leases primarily for offices, warehouses and motor vehicles. As of December 31, 2016, future minimum lease payments under noncancelable operating leases were as follows (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>20,749</td>
</tr>
<tr>
<td>2018</td>
<td>17,422</td>
</tr>
<tr>
<td>2019</td>
<td>15,603</td>
</tr>
<tr>
<td>2020</td>
<td>14,365</td>
</tr>
<tr>
<td>2021</td>
<td>9,770</td>
</tr>
<tr>
<td>Thereafter</td>
<td>231,888</td>
</tr>
<tr>
<td>Total</td>
<td>$ 309,797</td>
</tr>
</tbody>
</table>

Total expense for all operating leases amounted to $29.0 million, $29.7 million and $52.0 million for the years 2016, 2015 and 2014, respectively.

Other

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 at PortMiami in Miami, Florida. The terminal is expected to be approximately 170,000 square-feet and will serve as a homeport. During the construction period, SMBC will fund the costs of the terminal’s construction and land lease. Upon completion of the terminal’s construction, we will operate and lease 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 upon completion of the terminal.

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 in any material amount is probable.

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 the Board is no longer comprised of individuals who were members of the Board 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.

At December 31, 2016, we have future commitments to pay for our usage of certain port facilities, marine consumables, services and maintenance contracts as follows (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>232,055</td>
</tr>
<tr>
<td>2018</td>
<td>162,434</td>
</tr>
<tr>
<td>2019</td>
<td>129,920</td>
</tr>
<tr>
<td>2020</td>
<td>103,013</td>
</tr>
<tr>
<td>2021</td>
<td>57,506</td>
</tr>
<tr>
<td>Thereafter</td>
<td>110,319</td>
</tr>
<tr>
<td>Total</td>
<td>$ 795,247</td>
</tr>
</tbody>
</table>

Note 16. Restructuring Charges

For the years ended December 31, 2016 and December 31, 2014, we incurred restructuring charges of $8.5 million and $4.3 million, respectively, in connection with our profitability initiatives. For the year ended December 31, 2015, we did not incur restructuring charges.

2016 Profitability Initiatives:

Pullmantur Right-sizing Strategy

Pullmantur's strategy over the last several years had focused both on its core cruise market in Spain and on expansion throughout Latin America, especially Brazil. However, due to significant and increased challenges facing Pullmantur's Latin American operations, in 2015, we decided to significantly change our strategy from growing the brand through vessel transfers to a right-sizing strategy. This right-sizing strategy included reducing our exposure to Latin America, refocusing on the brand’s core market of Spain and, consequently, reducing the size of Pullmantur’s fleet.

The right-sizing strategy activities included the closing of Pullmantur's regional head office in Brazil, the redeployment of Pullmantur’s Empress to the Royal Caribbean International brand and personnel reorganization in Pullmantur's headquarters and CDF's office in France. The closure of the Brazil office and the personnel reorganization resulted in the recognition of a liability for one-time termination benefits during the twelve months ended December 31, 2016. We also incurred contract termination costs related to the closure of the Brazil office.
As a result of these actions, we incurred restructuring exit costs of $2.7 million for the year ended December 31, 2016 which are reported within Restructuring charges in our consolidated statements of comprehensive income (loss).

The following table summarizes our restructuring exit costs related to the above strategy (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance January 1, 2016</th>
<th>Accruals</th>
<th>Payments</th>
<th>Ending Balance December 31, 2016</th>
<th>Cumulative Charges Incurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Termination benefits</td>
<td>$2,655</td>
<td>$2,587</td>
<td>$2,587</td>
<td>$2,587</td>
<td>$2,587</td>
</tr>
<tr>
<td>Contract termination costs</td>
<td>—</td>
<td>68</td>
<td>68</td>
<td>—</td>
<td>68</td>
</tr>
<tr>
<td>Other related costs</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,655</td>
<td>$2,655</td>
<td>$2,655</td>
<td>—</td>
<td>$2,655</td>
</tr>
</tbody>
</table>

In connection with this strategy, we incurred approximately $3.6 million of other costs during the year ended December 31, 2016 that primarily consisted of costs associated with the redeployment of Pullmantur's Empress to the Royal Caribbean International brand that are reported within Cruise operating expenses, Depreciation and amortization expenses and Marketing, selling and administrative expenses in our consolidated statements of comprehensive income (loss). During 2016, we completed the restructuring activities related to this initiative.

In July 2016, we sold 51% of our interest in Pullmantur Holdings. In connection with the sale, we incurred approximately $4.9 million of other costs during the year ended December 31, 2016 that are reported within Cruise operating expenses and Marketing, selling and administrative expenses in our consolidated statements of comprehensive income (loss). Refer to Note 1. General for further information regarding this sale transaction.

Other Restructuring Initiatives

During 2016, we moved forward with certain other initiatives, including the closing of an international office in Brazil related to the Royal Caribbean International brand and personnel reorganization in our corporate offices. These initiatives resulted in restructuring costs of $5.8 million for the year ended December 31, 2016. The restructuring costs are mainly due to the recognition of a liability for one-time termination benefits. During 2016, we completed the restructuring activities related to these initiatives.

The following table summarizes our restructuring exit costs related to the above initiatives (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance January 1, 2016</th>
<th>Accruals</th>
<th>Payments</th>
<th>Ending Balance December 31, 2016</th>
<th>Cumulative Charges Incurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Termination benefits</td>
<td>$2,655</td>
<td>$5,612</td>
<td>$2,851</td>
<td>$2,761</td>
<td>$5,612</td>
</tr>
<tr>
<td>Contract termination costs</td>
<td>—</td>
<td>15</td>
<td>15</td>
<td>—</td>
<td>15</td>
</tr>
<tr>
<td>Other related costs</td>
<td>—</td>
<td>187</td>
<td>3</td>
<td>157</td>
<td>170</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,655</td>
<td>$5,797</td>
<td>$2,869</td>
<td>$2,928</td>
<td>$5,797</td>
</tr>
</tbody>
</table>

2014 Profitability Initiatives:

Consolidation of Global Sales, Marketing, General and Administrative Structure

This initiative related to restructuring and consolidation of our global sales, marketing and general and administrative structure. Activities related to this initiative include the consolidation of most of our call centers located outside of the United States and the establishment of brand dedicated sales, marketing and revenue management teams in key priority markets. Activities related to this initiative commenced in 2013. For the year ended December 31, 2014, we incurred restructuring exit costs of $1.1 million mainly related to discretionary bonus payments paid to persons.
whose positions were eliminated as part of our restructuring activities that are reported within Restructuring charges in our consolidated statements of comprehensive income (loss).

In connection with this initiative, we incurred approximately $7.4 million of other costs during 2014 that primarily consisted of call center transition costs and accelerated depreciation on lease hold improvements and are reported within Marketing, selling and administrative expenses and Depreciation and amortization expenses, respectively, in our consolidated statements of comprehensive income (loss). During 2014, we completed the restructuring activities related to this initiative.

**Pullmantur Restructuring**

**Restructuring Exit Costs**

In the fourth quarter of 2013, we moved forward with an initiative related to Pullmantur’s focus on its cruise business and its expansion in Latin America. Activities related to this initiative included the sale of Pullmantur's non-core businesses. This resulted in the recognition of a liability for one-time termination benefits and we also incurred contract termination costs and other related costs consisting of legal and consulting fees to implement this initiative.

As a result of these actions, we incurred restructuring exit costs of $3.2 million for the year ended December 31, 2014 which are reported within Restructuring charges in our consolidated statements of comprehensive income (loss).

In connection with this initiative, we incurred approximately $8.9 million of other costs during 2014, associated with placing operating management closer to the Latin American market that are reported within Marketing, selling and administrative expenses in our consolidated statements of comprehensive income (loss). During 2014, we completed the restructuring activities related to this initiative.

**Sale of Pullmantur Non-core Businesses**

As part of our Pullmantur related initiatives, on March 31, 2014, Pullmantur sold the majority of its interest in its non-core businesses. These non-core businesses included Pullmantur’s land-based tour operations, travel agency and 49% interest in its air business. In connection with the sale agreement, we retained a 19% interest in each of the non-core businesses as well as 100% ownership of the aircraft which are being dry leased to Pullmantur Air. Consistent with our Pullmantur two-month lag reporting period at the time, we reported the impact of the sale in the second quarter of 2014. Refer to Note 1. General for information on the basis on which we prepare our consolidated financial statements.

The sale resulted in a gain of $0.6 million recognized during the year ended December 31, 2014, inclusive of the release of cumulative translation adjustment losses, which was reported within Other operating expenses in our consolidated statements of comprehensive income (loss). Refer to Note 13. Changes in Accumulated Other Comprehensive Income (Loss) for further information on the release of the foreign currency translation losses.
Note 17. Quarterly Selected Financial Data (Unaudited)

<table>
<thead>
<tr>
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<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues (1)</td>
<td>$1,917,795</td>
<td>$1,815,599</td>
<td>$2,105,262</td>
<td>$2,058,322</td>
</tr>
<tr>
<td>Operating income (2)</td>
<td>$163,127</td>
<td>$105,682</td>
<td>$282,273</td>
<td>$261,297</td>
</tr>
<tr>
<td>Net income (2)(3)(4)</td>
<td>$99,140</td>
<td>$45,230</td>
<td>$229,905</td>
<td>$184,967</td>
</tr>
<tr>
<td>Earnings per share:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$0.46</td>
<td>$0.21</td>
<td>$1.07</td>
<td>$0.84</td>
</tr>
<tr>
<td>Diluted</td>
<td>$0.46</td>
<td>$0.20</td>
<td>$1.06</td>
<td>$0.84</td>
</tr>
<tr>
<td>Dividends declared per share</td>
<td>$0.375</td>
<td>$0.30</td>
<td>$0.375</td>
<td>$0.30</td>
</tr>
</tbody>
</table>

(1) Our revenues are seasonal based on the demand for cruises. Demand is strongest for cruises during the Northern Hemisphere's summer months and holidays.

(2) Amounts for the third quarter of 2015 include an impairment charge of $411.3 million to write down Pullmantur's goodwill, trademarks and trade names and certain long-lived assets to their fair value.

(3) Amount for the first quarter of 2016 includes $21.7 million net loss related to the elimination of the Pullmantur reporting lag.

(4) Amount for the third quarter of 2015 includes a tax benefit of $12.0 million related to the Pullmantur impairment. Refer to Note 12, Income Taxes, for further information.
HULL NO. B34 CREDIT AGREEMENT

dated 30 January 2015 as novated, amended and restated on the Actual Delivery Date pursuant to a novation agreement dated 30 January 2015 (as amended)

BETWEEN

Royal Caribbean Cruises Ltd.
as the Borrower,

the Lenders from time to time party hereto,

Citibank N.A., London Branch
as ECA Agent

and

Citibank Europe plc, UK Branch
as Facility Agent

and

as Mandated Lead Arrangers
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</tr>
<tr>
<td>SECTION 3.4.1. Payment</td>
<td>20</td>
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CREDIT AGREEMENT

HULL NO. B34 CREDIT AGREEMENT, dated 30 January 2015 as novated, amended and restated on the Actual Delivery Date (as defined below), is among Royal Caribbean Cruises Ltd., a Liberian corporation (the “Borrower”), Citibank N.A., London Branch in its capacity as agent for the Lenders referred to below in respect of Coface-related matters (in such capacity, the “ECA Agent”), Citibank Europe plc, UK Branch in its capacity as facility agent (in such capacity, the “Facility Agent”) and the financial institutions listed in Schedule 1 to the Novation Agreement (as defined below) as lenders (in such capacity, together with each of the other Persons that shall become a “Lender” in accordance with clause 12 of the Novation Agreement or Section 11.11.1 hereof, each of them individually a “Lender” and, collectively, the “Lenders”).

WITNESSETH:

WHEREAS,

(A) The Borrower and STX France S.A. (the “Builder”) have entered on 6 June 2014 into a Contract for the Construction and Sale of Hull No. B34 (as amended from time to time, the “Construction Contract”) pursuant to which the Builder has agreed to design, construct, equip, complete, sell and deliver the passenger cruise vessel bearing Builder’s hull number B34 (the “Purchased Vessel”);

(B) The Lenders have agreed to make available to the Borrower, upon the terms and conditions contained herein, a US dollar loan facility calculated on the amount (the “Maximum Loan Amount”) equal to the EUR sum of:

(i) eighty per cent (80%) of the Contract Price (as defined below) of the Purchased Vessel, and including Non-Yard Costs of up to EUR100,000,000, but which amount shall not exceed in aggregate EUR1,159,852,994;

viii
(ii) eighty per cent (80%) of the change orders of up to EUR66,542,359.27 (representing up to 6.28% of the Basic
Contract Price) effected in accordance with the Construction Contract; and

(iii) 100% of the Coface Premium (as defined below),

being an amount no greater than EUR1,004,172,515.27 and being made available in the US Dollar Equivalent
of that Maximum Loan Amount (as such Dollar amount may be adjusted pursuant to clause 5.3 of the Novation
Agreement);

(C) Of the amounts referred to in recital (B)(i) and (ii) above, the Lenders have made certain amounts available to the
Original Borrower during the period prior to the Actual Delivery Date pursuant to this Agreement (the liability for
which amount has been assumed by the Borrower following the novation of this Agreement pursuant to the Novation
Agreement) and, in relation to the amount referred to in recital (B)(i) the balance (namely, EUR137,600,000) has been
or shall be made available to the Borrower as an Additional Advance pursuant to the Novation Agreement and this
Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.1. Defined Terms. The following terms (whether or not underscored) when used in this Agreement, including
its preamble and recitals, shall, when capitalized, except where the context otherwise requires, have the following meanings (such
meanings to be equally applicable to the singular and plural forms thereof):

“Accumulated Other Comprehensive Income (Loss)” means at any date the Borrower’s accumulated other comprehensive
income (loss) on such date, determined in accordance with GAAP.

“Actual Delivery Date” means the date on which the Purchased Vessel is delivered by the Builder to, and accepted by, the
Borrower under the Construction Contract, being also the date on which the final balance of the Loan is advanced by way of the
Additional Advances.

“Additional Advances” is defined in the Novation Agreement.

“Affiliate” of any Person means any other Person which, directly or indirectly, controls, is controlled by or is under
common control with such Person. A Person shall be deemed to be “controlled by” any other Person if such other Person possesses,
directly or indirectly, power to direct or cause the direction of the management and policies of such Person whether by contract or
otherwise.

“Agent” means either the ECA Agent or the Facility Agent and “Agents” means both of them.

“Agreement” means, on any date, this credit agreement as originally in effect on the Signing Date and as novated, amended
and restated by the Novation Agreement and as thereafter from time to time amended, supplemented, amended and restated, or
otherwise modified and in effect on such date.

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its
Affiliates from time to time concerning or relating to bribery or corruption.

“Applicable Commitment Rate” means (x) from the Signing Date through and including April 12, 2016, 0.15% per annum,
(y) from April 12, 2016 through and including April 12, 2017, 0.25% per annum, and (z) from April 12, 2017 until the Commitment
Fee Termination Date, 0.30% per annum.

“Applicable Jurisdiction” means the jurisdiction or jurisdictions under which the Borrower is organized, domiciled or
resident or from which any of its business activities are conducted or in
which any of its properties are located and which has jurisdiction over the subject matter being addressed.


“Assignee Lender” is defined in Section 11.11.1.

“Authorized Officer” means those officers of the Borrower authorized to act with respect to the Loan Documents and whose signatures and incumbency shall have been certified to the Facility Agent by the Secretary or an Assistant Secretary of the Borrower.

“Bank of Nova Scotia Agreement” means the U.S. $1,128,000,000 amended and restated credit agreement dated as of June 15, 2015 among the Borrower, as borrower, the various financial institutions as are or shall become parties thereto, as lenders, and The Bank of Nova Scotia, as administrative agent, as amended, restated, supplemented or otherwise modified from time to time.

“Basic Contract Price” is as defined in the Construction Contract.

“Borrower” is defined in the preamble.

“Builder” is defined in the preamble.

“Business Day” means any day which is neither a Saturday or Sunday nor a legal holiday on which banks are authorized or required to be closed in New York City, London, Madrid, Stockholm or Paris, and if the applicable Business Day relates to an advance of all or part of the Loan, an Interest Period, prepayment or conversion, in each case with respect to the Loan bearing interest by reference to the LIBO Rate, a day on which dealings in deposits in Dollars are carried on in the London interbank market.

“Capital Lease Obligations” means obligations of the Borrower or any Subsidiary of the Borrower under any leasing or similar arrangement which, in accordance with GAAP, would be classified as capitalized leases.

“Capitalization” means, at any date, the sum of (a) Net Debt on such date, plus (b) Stockholders’ Equity on such date.

“Capitalized Lease Liabilities” means the principal portion of all monetary obligations of the Borrower or any of its Subsidiaries under any leasing or similar arrangement which, in accordance with GAAP, would be classified as capitalized leases, and, for purposes of this Agreement and each other Loan Document, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

“Cash Equivalents” means all amounts other than cash that are included in the “cash and cash equivalents” shown on the Borrower’s balance sheet prepared in accordance with GAAP.
“Change of Control” means an event or series of events by which (a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have “beneficial ownership” of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an “option right”)), directly or indirectly, of 50% or more of the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right); or (b) during any period of 24 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

“CIRR” means 3.27% per annum being the Commercial Interest Reference Rate determined in accordance with the OECD Arrangement for Officially Supported Export Credits to be applicable to the Loan hereunder.

“Citibank” means Citibank N.A., London Branch.

“Code” means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

“Coface” means Compagnie Française D’Assurance pour le Commerce Extérieur or any other person succeeding to Compagnie Française d'Assurance pour le Commerce Extérieur in the role as export credit agency of the Republic of France to manage and provide under its control, on its behalf and in its name the public export guarantees as provided by article L 432-1 of the French insurance code.

“Coface Insurance Policy” means the export credit insurance policy in respect of the Loan issued by Coface for the benefit of the Lenders.

“Coface Premium” means the premium payable to Coface under and in respect of the Coface Insurance Policy.

“Commitment” is defined in Section 2.2 and means, relative to any Lender, such Lender’s obligation to make the Loan pursuant to Section 2.1.

“Commitment Fees” is defined in Section 3.4.
“Commitment Fee Termination Date” is defined in Section 3.4.

“Commitment Termination Date” means the Back Stop Date (as defined in the Receivable Purchase Agreement) (or such later date as the Lenders and Coface may agree).

“Construction Contract” is defined in the preamble.

“Contract Price” is as defined in the Construction Contract and which includes a lump sum amount in respect of the Non-Yard Costs.

“Contractual Delivery Date” means, at any time, the date which at such time is the date specified for delivery of the Purchased Vessel under the Construction Contract, as such date may be modified from time to time pursuant to the terms of the Construction Contract.

“Covered Taxes” is defined in Section 4.6.

“Default” means any Event of Default or any condition, occurrence or event which, after notice or lapse of time or both, would constitute an Event of Default.

“Dollar” and the sign “$” mean lawful money of the United States.

“ECA Agent” is defined in the preamble.

“Effective Date” means the date this Agreement becomes effective pursuant to Section 11.8.

“Effective Time” means the Novation Effective Time as defined in the Novation Agreement.

“Environmental Laws” means all applicable federal, state, local or foreign statutes, laws, ordinances, codes, rules and regulations (including consent decrees and administrative orders) relating to the protection of the environment.

“EUR” and the sign “€” mean the currency of participating member states of the European Monetary Union pursuant to Council Regulation (EC) 974/98 of 3 May 1998, as amended from time to time.

“Event of Default” is defined in Section 8.1.

“Existing Principal Subsidiaries” means each Subsidiary of the Borrower that is a Principal Subsidiary on the Signing Date.

“Facility Agent” is defined in the preamble and includes each other Person as shall have subsequently been appointed as the successor Facility Agent, and as shall have accepted such appointment, pursuant to Section 10.5.

“FATCA” means (a) Sections 1471 through 1474 of the Code, as in effect at the date hereof, and any current or future regulations promulgated thereunder or official interpretations thereof, (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement.
between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

“FATCA Deduction” means a deduction or withholding from a payment under a Loan Document required by FATCA.

“FATCA Exempt Party” means a party to this Agreement that is entitled to receive payments free from any FATCA Deduction.

“Fee Letter” means any letter entered into by reference to this Agreement between any or all of the Facility Agent, the Mandated Lead Arrangers, the Arrangers, the Lenders and/or the Borrower setting out the amount of certain fees referred to in, or payable in connection with, this Agreement.

“Final Maturity” means twelve (12) years after the Actual Delivery Date.

“Fiscal Quarter” means any quarter of a Fiscal Year.

“Fiscal Year” means any annual fiscal reporting period of the Borrower.

“Fixed Charge Coverage Ratio” means, as of the end of any Fiscal Quarter, the ratio computed for the period of four consecutive Fiscal Quarters ending on the close of such Fiscal Quarter of:

a) net cash from operating activities (determined in accordance with GAAP) for such period, as shown in the Borrower’s consolidated statement of cash flow for such period, to

b) the sum of:

i) dividends actually paid by the Borrower during such period (including, without limitation, dividends in respect of preferred stock of the Borrower); plus

ii) scheduled payments of principal of all debt less New Financings (determined in accordance with GAAP, but in any event including Capitalized Lease Liabilities) of the Borrower and its Subsidiaries for such period.

“Fixed Rate” means a rate per annum equal to the sum of the CIRR plus the Fixed Rate Margin.

“Fixed Rate Loan” means the Loan bearing interest at the Fixed Rate.

“Fixed Rate Margin” means 0.55% per annum.
“Floating Rate” means a rate per annum equal to the sum of the LIBO Rate plus the Floating Rate Margin.

“Floating Rate Loan” means all or any portion of the Loan bearing interest at the Floating Rate.

“Floating Rate Margin” means, for each Interest Period, 1.10% per annum.

“F.R.S. Board” means the Board of Governors of the Federal Reserve System or any successor thereto.

“French Authorities” means the Direction Générale du Trésor of the French Ministry of Economy and Finance, any successors thereto, or any other governmental authority in or of France involved in the provision, management or regulation of the terms, conditions and issuance of export credits including, among others, such entities to whom authority in respect of the extension or administration of export financing matters have been delegated, such as COFACE and Natixis DAI.

“Funding Losses Event” is defined in Section 4.4.1.

“GAAP” is defined in Section 1.4.

“Government-related Obligations” means obligations of the Borrower or any Subsidiary of the Borrower under, or Indebtedness incurred by the Borrower or any Subsidiary of the Borrower to satisfy obligations under, any governmental requirement imposed by any Applicable Jurisdiction that must be complied with to enable the Borrower and its Subsidiaries to continue their business in such Applicable Jurisdiction, excluding, in any event, any taxes imposed on the Borrower or any Subsidiary of the Borrower.

“Hedging Instruments” means options, caps, floors, collars, swaps, forwards, futures and any other agreements, options or instruments substantially similar thereto or any series or combination thereof used to hedge interest, foreign currency and commodity exposures.

“herein”, “hereof”, “hereto”, “hereunder” and similar terms contained in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular Section, paragraph or provision of this Agreement or such other Loan Document.

“Historic Screen Rate” means, in relation to the Loan, the most applicable recent rate which appeared on Thomson Reuters LIBOR 01 Page (or any similar page) for the currency of the Loan and for a period equal to the applicable Interest Period for the Loan and which is no more than 7 days before the commencement of the applicable Interest Period for which such rate may be applicable.

“Illegality Notice” is defined in Section 3.2(b).

“Indebtedness” means, for any Person: (a) obligations created, issued or incurred by such Person for borrowed money (whether by loan, the issuance and sale of debt securities or the sale
of property to another Person subject to an understanding or agreement, contingent or otherwise, to repurchase such property from such Person; (b) obligations of such Person to pay the deferred purchase or acquisition price of property or services, other than trade accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business so long as such trade accounts payable are payable within 180 days of the date the respective goods are delivered or the respective services are rendered; (c) Indebtedness of others secured by a Lien on the property of such Person, whether or not the respective indebtedness so secured has been assumed by such Person; (d) obligations of such Person in respect of letters of credit or similar instruments issued or accepted by banks and other financial institutions for the account of such Person; (e) Capital Lease Obligations of such Person; (f) guarantees by such Person of Indebtedness of others, up to the amount of Indebtedness so guaranteed; (g) obligations of such Person in respect of surety bonds and similar obligations; and (h) liabilities arising under Hedging Instruments.

“Indemnified Liabilities” is defined in Section 11.4.

“Indemnified Parties” is defined in Section 11.4.

“Interest Payment Date” means each Repayment Date.

“Interest Period” means the period between the Actual Delivery Date and the first Repayment Date, and subsequently each succeeding period between two consecutive Repayment Dates.

“Interest Stabilisation Agreement” means an agreement on interest stabilisation entered into between Natixis and each Lender in connection with the Loan.

“Investment” means, relative to any Person,

a) any loan or advance made by such Person to any other Person (excluding commission, travel, expense and similar advances to officers and employees made in the ordinary course of business); and

b) any ownership or similar interest held by such Person in any other Person.

“Lender Assignment Agreement” means any Lender Assignment Agreement substantially in the form of Exhibit C.

“Lender” and “Lenders” are defined in the preamble.

“Lending Office” means, relative to any Lender, the office of such Lender designated as such below its signature hereto or designated in a Lender Assignment Agreement or such other office of a Lender as designated from time to time by notice from such Lender to the Borrower and the Facility Agent, whether or not outside the United States but subject in all cases to the arrangements with Natixis DAI relating to the CIRR, which shall be making or maintaining the Loan of such Lender hereunder.

“LIBO Rate” means the rate per annum of the offered quotation for deposits in Dollars for six months (or for such other period as shall be agreed by the Borrower and the Facility Agent)
which appears on Thomson Reuters LIBOR01 Page (or any successor page) at or about 11:00 a.m. (London time) two (2) Business Days before the commencement of the relevant Interest Period; provided that:

a) subject to Section 3.3.6., if no such offered quotation appears on Thomson Reuters LIBOR01 Page (or any successor page) at the relevant time the LIBO Rate shall be the Historic Screen Rate or, if it is not possible to calculate an Historic Screen Rate, it shall be the rate per annum certified by the Facility Agent to be the average of the rates quoted by the Reference Banks as the rate at which each of the Reference Banks was (or would have been) offered deposits of Dollars by prime banks in the London interbank market in an amount approximately equal to the amount of the Loan and for a period of six months;

b) for the purposes of determining the post-maturity rate of interest under Section 3.3.4., the LIBO Rate shall be determined by reference to deposits on an overnight or call basis or for such other period or periods as the Facility Agent may determine after consultation with the Lenders, which period shall be no longer than one month unless the Borrower otherwise agrees; and

c) if that rate is less than zero, the LIBO Rate shall be deemed to be zero.

“Lien” means any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge against or interest in property to secure payment of a debt or performance of an obligation or other priority or preferential arrangement of any kind or nature whatsoever.

“Loan” means the advances made by the Lenders under this Agreement from time to time or, as the case may be, the aggregate outstanding amount of such advances from time to time.

“Loan Documents” means this Agreement, the Novation Agreement and the Fee Letters.

“Loan Request” means the loan request and certificate duly executed by an Authorized Officer of the Borrower, substantially in the form of Exhibit A hereto.

“Margin” means the Fixed Rate Margin and/or (as the context requires hereunder) the Floating Rate Margin.

“Material Adverse Effect” means a material adverse effect on (a) the business, operations or financial condition of the Borrower and its Subsidiaries taken as a whole, (b) the rights and remedies of the Facility Agent or any Lender under the Loan Documents or (c) the ability of the Borrower to perform its payment Obligations under the Loan Documents.

“Material Litigation” is defined in Section 6.7.

“Maximum Loan Amount” is defined in the preamble.
“Natixis” means Natixis, a French société anonyme with its registered office at 30, avenue Pierre Mendès France, 75013 Paris, France, registered with the Paris Commercial and Companies Registry under number 542 044 524 RCS Paris.

“Natixis DAI” means Natixis DAI Direction des Activités Institutionnelles.

“Net Debt” means, at any time, the aggregate outstanding principal amount of all debt (including, without limitation, the principal portion of all capitalized leases) of the Borrower and its Subsidiaries (determined on a consolidated basis in accordance with GAAP) less the sum of (without duplication);

a) all cash on hand of the Borrower and its Subsidiaries; plus
b) all Cash Equivalents.

“Net Debt to Capitalization Ratio” means, as at any date, the ratio of (a) Net Debt on such date to (b) Capitalization on such date.

“New Financings” means proceeds from:

a) borrowed money (whether by loan or issuance and sale of debt securities), including drawings under this Agreement and any revolving credit facilities of the Borrower, and
b) the issuance and sale of equity securities.

“Non-Yard Costs” has the meaning assigned to “NYC Allowance” in Article II.1 of the Construction Contract and, when such expression is prefaced by the word “incurred”, shall mean such amount of the Non-Yard Costs, not exceeding EUR 100,000,000, as shall at the relevant time have been paid, or become payable, to the Builder by the Borrower under the Construction Contract as part of the Contract Price.

“Nordea Agreement” means the U.S. $1,150,000,000 amended and restated credit agreement dated as of August 23, 2013, as amended by Amendment No. 1 thereto dated as of July 10, 2015, among the Borrower, as the borrower, the various financial institutions as are or shall become parties thereto and Nordea Bank Finland PLC, New York Branch as administrative agent, as amended, restated, supplemented or otherwise modified from time to time.

“Novated Loan Balance” is as defined in the Novation Agreement.

“Novation Agreement” means the novation agreement dated 30 January 2015 (as amended) and made between the Original Borrower and the parties hereto pursuant to which (amongst other things) this Agreement was novated, amended and restated.

“Obligations” means all obligations (payment or otherwise) of the Borrower arising under or in connection with this Agreement.
“Option Period” is defined in Section 3.2(c).

“Organic Document” means, relative to the Borrower, its articles of incorporation (inclusive of any articles of amendment to its articles of incorporation) and its by-laws.

“Original Borrower” means Frosaitomi Finance Ltd. of 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

“Participant” is defined in Section 11.11.2.

“Participant Register” is defined in Section 11.11.2.

“Percentage” means, relative to any Lender, the percentage set forth opposite its signature hereto or as set out in the applicable Lender Assignment Agreement, as such percentage may be adjusted from time to time pursuant to Section 4.9 or pursuant to Lender Assignment Agreement(s) executed by such Lender and its Assignee Lender(s) and delivered pursuant to Section 11.11.1.

“Person” means any natural person, corporation, limited liability company, partnership, firm, association, trust, government, governmental agency or any other entity, whether acting in an individual, fiduciary or other capacity.

“Prepayment Event” is defined in Section 9.1.

“Principal Subsidiary” means any Subsidiary of the Borrower that owns a Vessel.

“Purchased Vessel” is defined in the preamble.

“Receivable Purchase Agreement” is as defined in the Novation Agreement.

“Reference Banks” means three leading international banks active in the London interbank market as are nominated by the Facility Agent before the Actual Delivery Date or such other banks as are nominated by the Facility Agent at any time thereafter and, in each case, as are reasonably acceptable to the Borrower and each additional Reference Bank and/or each replacement Reference Bank appointed by the Facility Agent pursuant to Section 3.3.6.

“Register” is defined in Section 11.11.3.

“Repayment Date” means, subject to Section 4.8(c), each of the dates for payment of the repayment installments of the Loan pursuant to Section 3.1.

“Required Lenders” means, at any time, Lenders that in the aggregate, hold more than 50% of the aggregate unpaid principal amount of the Loan or, if no such principal amount is then outstanding, Lenders that in the aggregate have more than 50% of the Commitments.

“Sanctions” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S.
Department of State, or (b) the United Nations Security Council, the European Union, any European Union member state or Her Majesty’s Treasury of the United Kingdom.

“Sanctioned Country” means, at any time, a country, region or territory which is itself the subject or target of any Sanctions.

“Sanctioned Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, or by the United Nations Security Council, the European Union or any European Union member state, or any person owned or controlled by any such Person or Persons, or (b) any Person operating, organized or resident in a Sanctioned Country.

“SEC” means the United States Securities and Exchange Commission and any successor thereto.

“Signing Date” means the date of the Novation Agreement.

“Spot Rate of Exchange” is as defined in the Novation Agreement.

“Stockholders’ Equity” means, as at any date, the Borrower’s stockholders’ equity on such date, excluding Accumulated Other Comprehensive Income (Loss), determined in accordance with GAAP, provided that any non-cash charge to Stockholders’ Equity resulting (directly or indirectly) from a change after the Signing Date in GAAP or in the interpretation thereof shall be disregarded in the computation of Stockholders’ Equity such that the amount of any reduction thereof resulting from such change shall be added back to Stockholders’ Equity.

“Subsidiary” means, with respect to any Person, any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person, or by one or more other Subsidiaries of such Person.

“US Dollar Equivalent” means (i) for all EUR amounts payable in respect of the Additional Advances for the amount of the Non-Yard Costs referred to in clause 5.2(a) of the Novation Agreement (and disregarding for the purposes of this definition that the Additional Advance in respect of such amounts shall be drawn in Dollars), such EUR amounts converted to a corresponding Dollar amount at the Weighted Average Rate of Exchange and (ii) for the EUR amount payable in respect of the Additional Advance for the Coface Premium referred to in clause 5.2(c) of the Novation Agreement and for the calculation and payment of the Novated Loan Balance (as defined in the Novation Agreement), the amount thereof in EUR converted to a corresponding Dollar amount as determined by the Facility Agent on the basis of the Spot Rate of Exchange. Such rate of exchange under (i) above shall be evidenced by foreign exchange counterparty confirmations to the extent applicable. The US Dollar Equivalent of the Maximum Loan Amount shall be calculated by the Borrower in consultation with the Facility Agent no less than two (2) Business Days prior to the proposed Actual Delivery Date.
“United States” or “U.S.” means the United States of America, its fifty States and the District of Columbia.

“Vessel” means a passenger cruise vessel owned by the Borrower or one of its Subsidiaries.

“Weighted Average Rate of Exchange” means the weighted average rate of exchange that the Borrower has agreed, either in the spot or forward currency markets, to pay its counterparties for the purchase of the relevant amounts of euro with Dollars for the payment of the euro amount of the Contract Price (including the portion thereof comprising the change orders and the Non-Yard Costs) and including in such weighted average calculation (a) the NYC Applicable Rate (as defined in the Novation Agreement) in relation to the portion of the Contract Price comprising the Non-Yard Costs and (b) the spot rates for any other euro amounts that have not been hedged by the Borrower.

SECTION 1.2. Use of Defined Terms. Unless otherwise defined or the context otherwise requires, terms for which meanings are provided in this Agreement shall, when capitalized, have such meanings when used in the Loan Request and each notice and other communication delivered from time to time in connection with this Agreement or any other Loan Document.

SECTION 1.3. Cross-References. Unless otherwise specified, references in this Agreement and in each other Loan Document to any Article or Section are references to such Article or Section of this Agreement or such other Loan Document, as the case may be, and, unless otherwise specified, references in any Article, Section or definition to any clause are references to such clause of such Article, Section or definition.

SECTION 1.4. Accounting and Financial Determinations. Unless otherwise specified, all accounting terms used herein or in any other Loan Document shall be interpreted, all accounting determinations and computations hereunder or thereunder (including under Section 7.2.4) shall be made, and all financial statements required to be delivered hereunder or thereunder shall be prepared, in accordance with United States generally accepted accounting principles (“GAAP”) consistently applied (or, if not consistently applied, accompanied by details of the inconsistencies); provided that if the Borrower elects to apply or is required to apply International Financial Reporting Standards (“IFRS”) accounting principles in lieu of GAAP, upon any such election and notice to the Facility Agent, references herein to GAAP shall thereafter be construed to mean IFRS (except as otherwise provided in this Agreement); provided further that if, as a result of (i) any change in GAAP or IFRS or in the interpretation thereof or (ii) the application by the Borrower of IFRS in lieu of GAAP, in each case, after the date of the financial statements referred to in Section 6.15, there is a change in the manner of determining any of the items referred to herein or thereunder that are to be determined by reference to GAAP, and the effect of such change would (in the reasonable opinion of the Borrower or the Facility Agent) be such as to affect the basis or efficacy of the financial covenants contained in Section 7.2.4 in ascertaining the consolidated financial condition of the Borrower and its Subsidiaries and the Borrower notifies the Facility Agent that the Borrower requests an amendment to any provision hereof to eliminate such change occurring after the date hereof in GAAP or the application thereof on the operation of such provision (or if the Facility Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), then such item shall for the purposes of Section 7.2.4 continue to be determined in accordance with
GAAP relating thereto as if GAAP were applied immediately prior to such change in GAAP or in the interpretation thereof until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

COMMITMENTS AND BORROWING PROCEDURES

SECTION 2.1. Commitment. On the terms and subject to the conditions of this Agreement (including Article V.), each Lender severally agrees to make its portion of the Loan pursuant to its Commitment described in Section 2.2. No Lender’s obligation to make its portion of the Loan shall be affected by any other Lender’s failure to make its portion of the Loan.

SECTION 2.2. Commitment of the Lenders; Termination and Reduction of Commitments.

a) Each Lender will make its portion of the Loan available to the Borrower in accordance with Section 2.3 on the Actual Delivery Date. The commitment of each Lender described in this Section 2.2 (herein referred to as its “Commitment”) shall be the commitment of such Lender to make available to the Borrower its portion of the Loan hereunder expressed as the initial amount set forth opposite such Lender’s name on its signature page attached hereto or, in the case of any Lender that becomes a Lender pursuant to an assignment pursuant to Section 11.11.1, the amount set forth as such Lender’s Commitment in the related Lender Assignment Agreement, in each case as such amount may be reduced from time to time pursuant clause 10.2 of the Novation Agreement or reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 11.11.1. Notwithstanding the foregoing, each Lender’s Commitment shall terminate on the earlier of (i) the Commitment Termination Date if the Purchased Vessel is not delivered prior to such date and (ii) the Actual Delivery Date.

b) If any Lender shall default in its obligations under Section 2.1, the Facility Agent shall, at the request of the Borrower, use reasonable efforts to assist the Borrower in finding a bank or financial institution acceptable to the Borrower to replace such Lender.

SECTION 2.3. Borrowing Procedure.

a) Part of the Loan in an amount equal to the Novated Loan Balance shall be assumed by the Borrower and be deemed to be advanced to, and borrowed by the Borrower, pursuant to the provisions of clause 3 of the Novation Agreement and thereafter converted into Dollars pursuant to clause 5.1 of the Novation Agreement.

b) In relation to the amount of the Loan comprised by the Additional Advances, the Borrower shall deliver a Loan Request and the documents required to be delivered pursuant to Section 5.1.1.a) to the Facility Agent on or before 11:00 a.m., London time, not less than two (2) Business Days prior to the anticipated Actual Delivery Date. The Additional Advances shall be drawn in Dollars.

c) The Facility Agent shall promptly notify each Lender of the Loan Request in respect of the Additional Advances by forwarding a copy thereof to each Lender, together with its attachments. On the terms and subject to the conditions of this Agreement, the portion of
the Loan in respect of the Additional Advances shall be made on the Actual Delivery Date. On or before 11:00 a.m., London
time, on the Actual Delivery Date, the Lenders shall, without any set-off or counterclaim, deposit with the Facility Agent
same day funds in an amount equal to such Lender’s Percentage of the requested portion of the Additional Advances in
Dollars. Such deposits will be made to such account which the Facility Agent shall specify from time to time by notice to the
Lenders. To the extent funds are so received from the Lenders, the Facility Agent shall, without any set-off or counterclaim,
make such funds available to the Borrower on the Actual Delivery Date by wire transfer of same day funds to the accounts
the Borrower shall have specified in its Loan Request.

d) If the Borrower elects to finance that part of the Coface Premium payable by the Borrower with an Additional Advance under
clause 5.2(c)(i) of the Novation Agreement, the Borrower shall indicate such election in the Loan Request. The amount of the
advance in Dollars (the “US Dollar Coface Advance Amount”) that will fund the Coface Premium shall be equal to the
Dollar amount that corresponds to the EUR amount of the Coface Premium to be financed with such advance, which amount
shall be determined by the Facility Agent based on the Spot Rate of Exchange. The Facility Agent shall notify the Borrower
and the Lenders of the US Dollar Coface Advance Amount on the date such Loan Request is delivered, and the Lenders shall
deposit such US Dollar Coface Advance Amount with the Facility Agent in accordance with Section 2.3.c). The Facility
Agent shall furnish a certificate to the Borrower on the date such Loan Request is delivered setting forth such Spot Rate of
Exchange, its derivation and the calculation of the US Dollar Coface Advance Amount. If the Borrower elects to so finance
the Coface Premium, the Borrower will be deemed to have directed the Facility Agent to pay over directly to Coface on
behalf of the Borrower that portion of the EUR amount of the Coface Premium to be financed with the proceeds of the
advance on the Actual Delivery Date and to retain for its own account deposits made by the Lenders in Dollars in an amount
equal to the portion of the US Dollar Coface Advance Amount attributable to the Coface Premium paid by the Facility Agent
to Coface on behalf of the Borrower.

e) If the Borrower elects to finance that part of the Coface Premium payable by the Borrower with an Additional Advance under
clause 5.2(c)(ii) of the Novation Agreement, the Borrower shall indicate such election in the Loan Request (and whether it
wishes to receive such amount in EUR or in Dollars). The amount of the advance in Dollars (the “US Dollar Coface Balance
Amount”) that will fund the Coface Premium shall be equal to the Dollar amount that corresponds to the EUR amount of the
Coface Premium to be financed with such advance, which amount shall be determined by the Facility Agent based on the
Spot Rate of Exchange. The Facility Agent shall notify the Borrower and the Lenders of the US Dollar Coface Balance
Amount on the date such Loan Request is delivered, and the Lenders shall deposit such US Dollar Coface Balance Amount
with the Facility Agent in accordance with Section 2.3.c). The Facility Agent shall furnish a certificate to the Borrower on
the date such Loan Request is delivered setting forth such Spot Rate of Exchange, its derivation and the calculation of the US
Dollar Coface Balance Amount. If the Borrower elects to so finance the Coface Premium and receive the proceeds in EUR,
the Borrower will be deemed to have directed the Facility Agent to pay over to the Borrower that portion of the EUR amount of
the Coface Premium to be financed with the proceeds of the advance on the Actual Delivery Date and to retain for its own account deposits made by the Lenders in Dollars in an amount equal to the US Dollar Coface Balance Amount.

SECTION 2.4. Funding. Each Lender may, if it so elects, fulfill its obligation to make or continue its portion of the Loan hereunder by causing a branch or Affiliate (or an international banking facility created by such Lender) other than that indicated next to its signature to this Agreement or, as the case may be, in the relevant Lender Assignment Agreement, to make or maintain such portion of the Loan; provided that such portion of the Loan shall nonetheless be deemed to have been made and to be held by such Lender, and the obligation of the Borrower to repay such portion of the Loan shall nevertheless be to such Lender for the account of such foreign branch, Affiliate or international banking facility; provided, further, that the Borrower shall not be required to pay any amount under Sections 4.2.c), 4.3, 4.4, 4.5, 4.6 and 4.7 that is greater than the amount which it would have been required to pay had the Lender not caused such branch or Affiliate (or international banking facility) to make or maintain such portion of the Loan.

ARTICLE III

REPAYMENTS, PREPAYMENTS, INTEREST AND FEES

SECTION 3.1. Repayments.

a) The Borrower shall repay the Loan in 24 equal semi-annual installments, with the first installment to fall due on the date falling six (6) months after the Actual Delivery Date and the final installment to fall due on the date of Final Maturity.

b) No such amounts repaid by the Borrower pursuant to this Section 3.1 may be re-borrowed under the terms of this Agreement.

SECTION 3.2. Prepayment.

a) The Borrower

i) may, from time to time on any Business Day, make a voluntary prepayment, in whole or in part, of the outstanding principal amount of the Loan; provided that:

   (A) all such voluntary prepayments shall require at least five (5) Business Days’ prior written notice to the Facility Agent; and

   (B) all such voluntary partial prepayments shall be in an aggregate minimum amount of $10,000,000 and a multiple of $1,000,000 (or in the remaining amount of the Loan) and shall be applied in inverse order of maturity or ratably among all remaining installments, as the Borrower shall designate to the Facility Agent, in satisfaction of the remaining repayment installments of the Loan; and
ii) shall, immediately upon any acceleration of the repayment of the installments of the Loan pursuant to Section 8.2 or 8.3 or the mandatory prepayment of the Loan pursuant to Section 9.2, repay the Loan.

b) If it becomes unlawful in any jurisdiction for any Lender to perform any of its obligations under the Loan Documents or to maintain or fund its portion of the Loan, the affected Lender may give written notice (the "Illegality Notice") to the Borrower and the Facility Agent of such event, including reasonable details of the relevant circumstances.

c) If an affected Lender delivers an Illegality Notice, the Borrower, the Facility Agent and the affected Lender shall discuss in good faith (but without obligation) what steps may be open to the relevant Lender to mitigate or remove such circumstances but, if they are unable to agree such steps within 20 Business Days or if the Borrower so elects, the Borrower shall have the right, but not the obligation, exercisable at any time within 50 days after receipt of such Illegality Notice or, if earlier, the date upon which the unlawful event referred to in (b) above will apply (but not being a date falling earlier than the end of the 20 Business Day period referred to above) (the "Option Period"), either (1) to prepay the portion of the Loan held by such Lender in full on or before the expiry of the Option Period, together with all unpaid interest and fees thereon accrued to but excluding the date of such prepayment, or (2) to replace such Lender on or before the expiry of the Option Period with one or more financial institutions (I) acceptable to the Facility Agent (such consent not to be unreasonably withheld or delayed) and (II) where relevant, eligible to benefit from an Interest Stabilisation Agreement, pursuant to assignment(s) notified to and consented in writing by Coface and, where relevant Natixis DAI, provided that (x) in the case of a single assignment, any such assignment shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or, in the case of more than one assignment, an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that collectively cover all of the rights and obligations of the assigning Lender under this Agreement and (y) no Lender shall be obliged to make any such assignment as a result of an election by the Borrower pursuant to this Section 3.2.c) unless and until such Lender shall have received one or more payments from one or more Assignee Lenders and/or the Borrower in an aggregate amount at least equal to the portion of the Loan held by such Lender, together with all unpaid interest and fees thereon accrued to but excluding the date of such assignment (and all other amounts then owing to such Lender under this Agreement).

Each prepayment of the Loan made pursuant to this Section shall be without premium or penalty, except as may be required by Section 4.4. No amounts prepaid by the Borrower may be re-borrowed under the terms of this Agreement.

SECTION 3.3. Interest Provisions. Interest on the outstanding principal amount of the Loan shall accrue and be payable in accordance with this Section 3.3.

SECTION 3.3.1. Rates. The Loan shall accrue interest from the Actual Delivery Date to the date of repayment or prepayment of the Loan in full to the Lenders at either the Fixed Rate or the Floating Rate as elected by the Borrower pursuant to Section 3.3.2. Interest calculated at the
Fixed Rate or the Floating Rate shall be payable semi-annually in arrears on each Repayment Date. The Loan shall bear interest from and including the first day of the applicable Interest Period to (but not including) the last day of such Interest Period at the interest rate determined as applicable to the Loan. All interest shall be calculated on the basis of the actual number of days elapsed over a year comprised of 360 days.

SECTION 3.3.2. **Election of Floating or Fixed Rate.**

a) By written notice to the Facility Agent and delivered in accordance with clause 7 of the Novation Agreement prior to the date that is not less than seven Business Days prior to the expected Actual Delivery Date, the Borrower shall elect whether to pay interest on the Loan at the Floating Rate or the Fixed Rate.

b) The election made under Section 3.3.2.a) and clause 7 of the Novation Agreement may only be made one time during the term of the Loan and shall be irrevocable.

c) If the Borrower fails to make an election under Section 3.3.2.a) by the date referred to in that Section, it shall be deemed to have elected to pay interest on the Loan at the Floating Rate.

d) It is acknowledged that the Borrower has by written notice to the Facility Agent on 3 December 2015 elected to pay interest on the Loan at the Fixed Rate.

SECTION 3.3.3. **Interest stabilisation.** Each Lender who is a party hereto on the Signing Date represents and warrants to the Borrower that it has entered into an Interest Stabilisation Agreement or is in all respects eligible and authorized to enter into and shall enter into an Interest Stabilisation Agreement promptly after the Signing Date, and any Lender not a party hereto on the Signing Date represents and warrants to the Borrower on the date that such Lender becomes a party hereto that it has entered into an Interest Stabilisation Agreement on or prior to becoming a party hereto.

SECTION 3.3.4. **Post-Maturity Rates.** After the date any principal amount of the Loan is due and payable (whether on any Repayment Date, upon acceleration or otherwise), or after any other monetary Obligation of the Borrower shall have become due and payable, the Borrower shall pay, but only to the extent permitted by law, interest (after as well as before judgment) on such amounts for each day during the period of such default at a rate per annum certified by the Facility Agent to the Borrower (which certification shall be conclusive in the absence of manifest error) to be equal to the sum of the Floating Rate plus 2% per annum.

SECTION 3.3.5. **Payment Dates.** Interest accrued on the Loan shall be payable, without duplication, on the earliest of:

a) each Interest Payment Date;

b) each Repayment Date;
c) the date of any prepayment, in whole or in part, of principal outstanding on the Loan (but only on the principal so prepaid); and

d) on that portion of the Loan the repayment of which is accelerated pursuant to Section 8.2 or Section 8.3, immediately upon such acceleration.

SECTION 3.3.6. Interest Rate Determination; Replacement Reference Banks. The Facility Agent shall obtain from each Reference Bank timely information for the purpose of determining the LIBO Rate in the event that no offered quotation appears on Thomson Reuters LIBOR01 Page (or any successor page) and the LIBO Rate is to be determined by reference to quotations supplied by the Reference Banks and not by reference to the Historic Screen Rate. If any one or more of the Reference Banks shall fail to furnish in a timely manner such information to the Facility Agent for any such interest rate, the Facility Agent shall determine such interest rate on the basis of the information furnished by the remaining Reference Banks. If the Borrower elects to add an additional Reference Bank hereunder or a Reference Bank ceases for any reason to be able and willing to act as such, the Facility Agent shall, at the direction of the Required Lenders and after consultation with the Borrower and the Lenders, appoint a replacement for such Reference Bank reasonably acceptable to the Borrower, and such replaced Reference Bank shall cease to be a Reference Bank hereunder. The Facility Agent shall furnish to the Borrower and to the Lenders each determination of the LIBO Rate made by reference to quotations of interest rates furnished by Reference Banks (it being understood that the Facility Agent shall not be required to disclose to any party hereto (other than the Borrower) any information regarding any Reference Bank or any rate quoted by a Reference Bank, including, without limitation, whether a Reference Bank has provided a rate or the rate provided by any individual Reference Bank).

Interest accrued on the Loan or other monetary Obligations arising under this Agreement or any other Loan Document after the date such amount is due and payable (whether upon acceleration or otherwise) shall be payable upon demand.

SECTION 3.4. Commitment Fees. Subject to clause 10.1 of the Novation Agreement, the Borrower agrees to pay to the Facility Agent for the account of each Lender a commitment fee (the “Commitment Fee”) on its daily unused portion of Maximum Loan Amount (as such amount may be adjusted from time to time), for the period commencing on the Signing Date and continuing through the earliest to occur (the “Commitment Fee Termination Date”) of (i) the Actual Delivery Date, (ii) the date upon which the Facility Agent has provided the Borrower with written notice that the Lenders will not advance the Loan because the Commitments have been terminated pursuant to Section 8.2 or 8.3, (iii) the Commitment Termination Date and (iv) the date the Commitments shall have been terminated in full pursuant to clause 10.2 of the Novation Agreement.

SECTION 3.4.1. Payment. The Commitment Fee shall be payable by the Borrower to the Facility Agent for the account of each Lender six-monthly in arrears, with the first such payment (the “First Commitment Fee Payment”) to be made on the day falling six months following the Signing Date and the final such payment to be made on the Commitment Fee Termination Date (each date on which a Commitment Fee payment is required to be made in accordance with this Section 3.4.1 referred to herein as a “Commitment Fee Payment Date”). The Commitment Fee shall be in the amount in EUR equal to the product of the Applicable Commitment
Rate, multiplied by, for each day elapsed since the preceding Commitment Fee Payment Date (or, in the case of the First Commitment Fee Payment, the Signing Date), the daily unused portion of the Maximum Loan Amount, divided by 360 days.

SECTION 3.5. Other Fees. The Borrower agrees to pay to the Facility Agent the agreed-upon fees set forth in the Fee Letters on the dates and in the amounts set forth therein.

ARTICLE IV

CERTAIN LIBO RATE AND OTHER PROVISIONS

SECTION 4.1. LIBO Rate Lending Unlawful. If after the Signing Date the introduction of or any change in or in the interpretation of any law makes it unlawful, or any central bank or other governmental authority having jurisdiction over such Lender asserts that it is unlawful for such Lender to make, continue or maintain its portion of the Loan bearing interest at a rate based on the LIBO Rate or at the Fixed Rate where the relevant Lender has funded itself in the interbank market at a rate based on the LIBO Rate, the obligation of such Lender to make, continue or maintain its portion of the Loan shall, upon notice thereof to the Borrower, the Facility Agent and each other Lender, forthwith be suspended until the circumstances causing such suspension no longer exist, provided that such Lender’s obligation to make, continue and maintain its portion of the Loan hereunder shall be automatically converted into an obligation to make, continue and maintain its portion of the Loan bearing interest at a rate to be negotiated between such Lender and the Borrower that is the equivalent of the sum of the LIBO Rate for the relevant Interest Period plus the Floating Rate Margin.

SECTION 4.1. Deposits Unavailable. If, on or after the date the Borrower elects the Floating Rate pursuant to Section 3.3.2 or where the Fixed Rate applies and any Lender has funded itself in the interbank market, the Facility Agent shall have determined that:

a) Dollar deposits in the relevant amount and for the relevant Interest Period are not available to each Reference Bank in its relevant market, or

b) by reason of circumstances affecting the Reference Banks’ relevant markets, adequate means do not exist for ascertaining the interest rate applicable hereunder to LIBO Rate loans for the relevant Interest Period, or

c) the cost to Lenders that in the aggregate hold more than 50% of the aggregate outstanding principal amount of the Loan then held by Lenders of obtaining matching deposits in the relevant interbank market for the relevant Interest Period would be in excess of the LIBO Rate (provided, that no Lender may exercise its rights under this Section 4.2.c) for amounts up to the difference between such Lender’s cost of obtaining matching deposits on the date such Lender becomes a Lender hereunder less the LIBO Rate on such date),

then the Facility Agent shall give notice of such determination (hereinafter called a “Determination Notice”) to the Borrower and each of the Lenders. The Borrower, the Lenders and the Facility Agent shall then negotiate in good faith in order to agree upon a mutually satisfactory interest rate.
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and interest period (or interest periods) to be substituted for those which would otherwise have applied under this Agreement. If the Borrower, the Lenders and the Facility Agent are unable to agree upon an interest rate (or rates) and interest period (or interest periods) prior to the date occurring fifteen (15) Business Days after the giving of such Determination Notice, the Facility Agent shall (after consultation with the Lenders) set an interest rate and an interest period (or interest periods), in each case to take effect at the end of the Interest Period current at the date of the Determination Notice, which rate (or rates) shall be equal to the sum of the Floating Rate Margin and the weighted average of the corresponding interest rates at or about 11:00 a.m. (London time) two (2) Business Days before the commencement of the relevant Interest Period on Thomson Reuters’ pages KLIEMMM, GARBIC01 and FINA01 (or such other pages as may replace Thomson Reuters’ pages KLIEMMM, GARBIC01 or FINA01 on Thomson Reuters’ service) (or, in the case of clause (c) above, the lesser of (x) the respective cost to the Lenders of funding the respective portions of the Loan held by the Lenders and (y) such weighted average). The Facility Agent shall furnish a certificate to the Borrower as soon as reasonably practicable after the Facility Agent has given such Determination Notice setting forth such rate(s). In the event that the circumstances described in this Section 4.2 shall extend beyond the end of an interest period agreed or set pursuant hereto, the foregoing procedure shall be repeated as often as may be necessary.

SECTION 4.2. Increased LIBO Rate Loan Costs, etc. If after the Signing Date a change in any applicable treaty, law, regulation or regulatory requirement or in the interpretation thereof or in its application to the Borrower, or if compliance by any Lender with any applicable direction, request, requirement or guideline (whether or not having the force of law) of any governmental or other authority including, without limitation, any agency of the European Union or similar monetary or multinational authority insofar as it may be changed or imposed after the date hereof, shall:

a) subject any Lender to any taxes, levies, duties, charges, fees, deductions or withholdings of any nature with respect to its portion of the Loan or any part thereof imposed, levied, collected, withheld or assessed by any jurisdiction or any political subdivision or taxing authority thereof (other than taxation on overall net income and, to the extent such taxes are described in Section 4.6, withholding taxes); or

b) change the basis of taxation to any Lender (other than a change in taxation on the overall net income of any Lender) of payments of principal or interest or any other payment due or to become due pursuant to this Agreement; or

c) impose, modify or deem applicable any reserve or capital adequacy requirements (other than the increased capital costs described in Section 4.5 and the reserve costs described in Section 4.7) or other banking or monetary controls or requirements which affect the manner in which a Lender shall allocate its capital resources to its obligations hereunder or require the making of any special deposits against or in respect of any assets or liabilities of, deposits with or for the account of, or loans by, any Lender (provided that such Lender shall, unless prohibited by law, allocate its capital resources to its obligations hereunder in a manner which is consistent with its present treatment of the allocation of its capital resources); or
d) impose on any Lender any other condition affecting its portion of the Loan or any part thereof, and the result of any of the foregoing is either (i) to increase the cost to such Lender of making its portion of the Loan or maintaining its portion of the Loan or any part thereof, (ii) to reduce the amount of any payment received by such Lender or its effective return hereunder or on its capital or (iii) to cause such Lender to make any payment or to forego any return based on any amount received or receivable by such Lender hereunder, then and in any such case if such increase or reduction in the opinion of such Lender materially affects the interests of such Lender, (A) such Lender shall (through the Facility Agent) notify the Borrower of the occurrence of such event and use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions and the terms of the COFACE Insurance Policy and (if the Fixed Rate applies) the arrangements with Natixis DAI relating to the CIRR) to designate a different Lending Office if the making of such a designation would avoid the effects of such law, regulation or regulatory requirement or any change therein or in the interpretation thereof and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender and (B) the Borrower shall forthwith upon such demand pay to the Facility Agent for the account of such Lender such amount as is necessary to compensate such Lender for such additional cost or such reduction and ancillary expenses, including taxes, incurred as a result of such adjustment. Such notice shall (i) describe in reasonable detail the event leading to such additional cost, together with the approximate date of the effectiveness thereof, (ii) set forth the amount of such additional cost, (iii) describe the manner in which such amount has been calculated, (iv) certify that the method used to calculate such amount is such Lender’s standard method of calculating such amount, (v) certify that such request is consistent with its treatment of other borrowers that are subject to similar provisions, and (vi) certify that, to the best of its knowledge, such change in circumstance is of general application to the commercial banking industry in such Lender’s jurisdiction of organization or in the relevant jurisdiction in which such Lender does business. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender’s right to demand such compensation; provided that in relation to increased costs or reductions arising after the Effective Date the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than three months prior to the date that such Lender notifies the Borrower of the circumstance giving rise to such increased costs or reductions and of such Lender’s intention to claim compensation therefor; provided further that, if the circumstance giving rise to such increased costs or reductions is retroactive, then the three-month period referred to above shall be extended to include the period of retroactive effect thereof, but not more than six months prior to the date that such Lender notifies the Borrower of the circumstance giving rise to such cost or reductions and of such Lender’s intention to claim compensation therefor.

It is acknowledged that the Borrower shall have no liability to compensate any Lender under this Section for amounts of increased costs that accrue before the Effective Time on the Actual Delivery Date (with any such amounts arising before the Effective Time being the responsibility of the Original Borrower).

SECTION 4.3. Funding Losses.
SECTION 4.3.1. Indemnity. In the event any Lender shall incur any loss or expense (for the avoidance of doubt excluding loss of profit) by reason of the liquidation or re-employment (at not less than the market rate) of deposits or other funds acquired by such Lender, to make, continue or maintain any portion of the principal amount of its portion of the Loan as a result of:

i) if at the time interest is calculated at the Floating Rate on such Lender’s portion of the Loan, any repayment or prepayment or acceleration of the principal amount of such Lender’s portion of the Loan on a date other than the scheduled last day of an Interest Period or otherwise scheduled date for repayment or payment;

ii) if at the time interest is calculated at the Fixed Rate on such Lender’s portion of the Loan, any repayment or prepayment or acceleration of the principal amount of such Lender’s portion of the Loan, other than any repayment made on the date scheduled for such repayment; or

iii) the relevant portion of the Loan not being made in accordance with the Loan Request therefor due to the fault of the Borrower or as a result of any of the conditions precedent set forth in clause 6.1(b) of the Novation Agreement and Article V not being satisfied,

(a “Funding Losses Event”) then, upon the written notice of such Lender to the Borrower (with a copy to the Facility Agent), the Borrower shall, within three (3) days of its receipt thereof:

a) if at that time interest is calculated at the Floating Rate on such Lender’s portion of the Loan, pay directly to the Facility Agent for the account of such Lender an amount equal to the amount by which:

   (i) interest calculated at the Floating Rate (excluding the Floating Rate Margin) which such Lender would have received on its share of the amount of the Loan subject to such Funding Losses Event for the period from the date of receipt of any part of its share in the Loan to the last day of the applicable Interest Period,

   exceeds:

   (ii) the amount which such Lender would be able to obtain by placing an amount equal to the amount received by it on deposit with a leading bank in the appropriate interbank market for a period starting on the Business Day following receipt and ending on the last day of the applicable Interest Period; or

b) if at that time interest is calculated at the Fixed Rate on such Lender’s portion of the Loan, pay to the Facility Agent the amount notified to it following the calculation referred to in the next paragraph.

Since the Lenders commit themselves irrevocably to the French Authorities in charge of monitoring the CIRR mechanism, any prepayment (whether voluntary, involuntary or mandatory, including following the acceleration of the Loan) will be subject to the
mandatory payment by the Borrower of the amount calculated in liaison with the French Authorities two (2) Business Days prior to the prepayment date by taking into account the differential (the “Rate Differential”) between the CIRR and the prevailing market yield (currently ISDAFIX) for each installment to be prepaid and applying such Rate Differential to the remaining residual period of such installment and discounting to the net present value as described below. Each of these Rate Differentials will be applied to the corresponding installment to be prepaid during the period starting on the date on which such prepayment is required to be made and ending on the original Repayment Date (as adjusted following any previous prepayments) for such installment and:

(A) the net present value of each corresponding amount resulting from the above calculation will be determined at the corresponding market yield; and

(B) if the cumulated amount of such present values is negative, no amount shall be due to the Borrower or from the Borrower.

Such written notice shall include calculations in reasonable detail setting forth the loss or expense to such Lender.

SECTION 4.3.2. Exclusion In the event that a Lender’s wilful misconduct or gross negligence has caused the loss or cancellation of the Coface Insurance Policy, the Borrower shall not be liable to indemnify that Lender under Section 4.4.1 for its loss or expense arising due to the occurrence of the Prepayment Event referred to in Section 9.1.9.

SECTION 4.4. Increased Capital Costs. If after the Signing Date any change in, or the introduction, adoption, effectiveness, interpretation, reinterpretation or phase-in of, any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other governmental authority increases the amount of capital required to be maintained by any Lender or any Person controlling such Lender, and the rate of return on its or such controlling Person’s capital as a consequence of its Commitment or its portion of the Loan made by such Lender is reduced to a level below that which such Lender or such controlling Person would have achieved but for the occurrence of any such change in circumstance, then, in any such case upon notice from time to time by such Lender to the Borrower, the Borrower shall immediately pay directly to such Lender additional amounts sufficient to compensate such Lender or such controlling Person for such reduction in rate of return. Any such notice shall (i) describe in reasonable detail the capital adequacy requirements which have been imposed, together with the approximate date of the effectiveness thereof, (ii) set forth the amount of such lowered return, (iii) describe the manner in which such amount has been calculated, (iv) certify that the method used to calculate such amount is such Lender’s standard method of calculating such amount, (v) certify that such request for such additional amounts is consistent with its treatment of other borrowers that are subject to similar provisions and (vi) certify that, to the best of its knowledge, such change in circumstances is of general application to the commercial banking industry in the jurisdictions in which such Lender does business. In determining such amount, such Lender may use any method of averaging and attribution that it shall, subject to the foregoing sentence, deem applicable. Each Lender agrees to use reasonable efforts (consistent with its internal policy and
legal and regulatory restrictions and the terms of the COFACE Insurance Policy and (if the Fixed Rate applies) the arrangements with Natixis DAI relating to the CIRR to designate a different Lending Office if the making of such a designation would avoid such reduction in such rate of return and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender’s right to demand such compensation; provided that in relation to increased costs or reductions arising after the Effective Date the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than three months prior to the date that such Lender notifies the Borrower of the circumstance giving rise to such reductions and if such Lender’s intention to claim compensation therefor; provided further that, if the circumstance giving rise to such reductions is retroactive, then the three-month period referred to above shall be extended to include the period of retroactive effect thereof, but not more than six months prior to the date that such Lender notifies the Borrower of the circumstance giving rise to such reductions and of such Lender’s intention to claim compensation therefor.

It is acknowledged that the Borrower shall have no liability to compensate any Lender under this Section for reduced returns that accrue before the Effective Time on the Actual Delivery Date (with any compensation liability to the Lenders arising before the Effective Time being the responsibility of the Original Borrower).

SECTION 4.5. Taxes. All payments by the Borrower of principal of, and interest on, the Loan and all other amounts payable hereunder shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and other taxes, fees, duties, withholdings or other charges of any nature whatsoever imposed by any taxing authority, but excluding franchise taxes and taxes imposed on or measured by any Lender’s net income or receipts of such Lender and franchise taxes imposed in lieu of net income taxes or taxes on receipts, by the jurisdiction under the laws of which such Lender is organized or any political subdivision thereof or the jurisdiction of such Lender’s Lending Office or any political subdivision thereof or any other jurisdiction unless such net income taxes are imposed solely as a result of the Borrower’s activities in such other jurisdiction, and any taxes imposed under FATCA (such non-excluded items being called “Covered Taxes”). In the event that any withholding or deduction from any payment to be made by the Borrower hereunder is required in respect of any Covered Taxes pursuant to any applicable law, rule or regulation, then the Borrower will:

a) pay directly to the relevant authority the full amount required to be so withheld or deducted;

b) promptly forward to the Facility Agent an official receipt or other documentation satisfactory to the Facility Agent evidencing such payment to such authority; and

c) pay to the Facility Agent for the account of the Lenders such additional amount or amounts as is necessary to ensure that the net amount actually received by each Lender will equal the full amount such Lender would have received had no such withholding or deduction been required.
Moreover, if any Covered Taxes are directly asserted against the Facility Agent or any Lender with respect to any payment received or paid by the Facility Agent or such Lender hereunder, the Facility Agent or such Lender may pay such Covered Taxes and the Borrower will promptly pay such additional amounts (including any penalties, interest or expenses) as is necessary in order that the net amount received by such person after the payment of such Covered Taxes (including any Covered Taxes on such additional amount) shall equal the amount such person would have received had no such Covered Taxes been asserted.

Any Lender claiming any additional amounts payable pursuant to this Section agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions and the terms of the COFACE Insurance Policy and (if the Fixed Rate applies) the arrangements with Natixis DAI relating to the CIRR) to change the jurisdiction of its Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

If the Borrower fails to pay any Covered Taxes when due to the appropriate taxing authority or fails to remit to the Facility Agent for the account of the respective Lenders the required receipts or other required documentary evidence, the Borrower shall indemnify the Lenders for any incremental withholding Covered Taxes, interest or penalties that may become payable by any Lender as a result of any such failure (so long as such amount did not become payable as a result of the failure of such Lender to provide timely notice to the Borrower of the assertion of a liability related to the payment of Covered Taxes). For purposes of this Section 4.6, a distribution hereunder by the Facility Agent or any Lender to or for the account of any Lender shall be deemed a payment by the Borrower.

If any Lender is entitled to any refund, credit, deduction or other reduction in tax by reason of any payment made by the Borrower in respect of any Covered Tax under this Section 4.6 or by reason of any payment made by the Borrower pursuant to Section 4.3, such Lender shall use reasonable efforts to obtain such refund, credit, deduction or other reduction and, promptly after receipt thereof, will pay to the Borrower such amount (plus any interest received by such Lender in connection with such refund, credit, deduction or reduction) as is equal to the net after-tax value to such Lender of such part of such refund, credit, deduction or reduction as such Lender reasonably determines is allocable to such Covered Tax or such payment (less out-of-pocket expenses incurred by such Lender), provided that no Lender shall be obligated to disclose to the Borrower any information regarding its tax affairs or tax computations.

Each Lender (and each Participant) agrees with the Borrower and the Facility Agent that it will (i) in the case of a Lender or a Participant organized under the laws of a jurisdiction other than the United States (a) provide to the Facility Agent and the Borrower an appropriately executed copy of Internal Revenue Service Form W-8ECI certifying that any payments made to or for the benefit of such Lender or such Participant are effectively connected with a trade or business in the United States (or alternatively, an Internal Revenue Service Form W-8BEN claiming the benefits of a tax treaty, but only if the applicable treaty described in such form provides for a complete exemption from U.S. federal income tax withholding), or any successor form, on or prior to the date hereof.
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(or, in the case of any assignee Lender or Participant, on or prior to the date of the relevant assignment or participation), in each case attached to an Internal Revenue Service Form W-8IMY, if appropriate, (b) notify the Facility Agent and the Borrower if the certifications made on any form provided pursuant to this paragraph are no longer accurate and true in all material respects and (c) without prejudice to its obligations under Section 4.13, provide such other tax forms or other documents as shall be prescribed by applicable law, if any, or as otherwise reasonably requested, to demonstrate, to the extent applicable, that payments to such Lender Party (or Participant) hereunder are exempt from withholding under FATCA, and (ii) in all cases, provide such forms, certificates or other documents, as and when reasonably requested by the Borrower, necessary to claim any applicable exemption from, or reduction of, Covered Taxes or any payments made to or for benefit of such Lender Party or such Participant, provided that the Lender Party or Participant is legally able to deliver such forms, certificates or other documents. For any period with respect to which a Lender (or assignee Lender or Participant) has failed to provide the Borrower with the foregoing forms (other than if such failure is due to a change in law occurring after the date on which a form originally was required to be provided (which, in the case of an Assignee Lender, would be the date on which the original assignor was required to provide such form) or if such form otherwise is not required hereunder) such Lender (or assignee Lender or Participant) shall not be entitled to the benefits of this Section 4.6 with respect to Covered Taxes imposed by reason of such failure.

All fees and expenses payable pursuant to Section 11.3 shall be paid together with value added tax or any similar tax (if any) properly chargeable thereon. Any value added tax chargeable in respect of any services supplied by a Lender or an Agent under this Agreement shall, on delivery of the value added tax invoice, be paid in addition to any sum agreed to be paid hereunder.

SECTION 4.6. Reserve Costs. Without in any way limiting the Borrower’s obligations under Section 4.3, if the Borrower elects the Floating Rate pursuant to Section 3.3.2, the Borrower shall, with effect from the Effective Time, pay to the Facility Agent for the account of each Lender on the last day of each Interest Period, so long as the relevant Lending Office of such Lender is required to maintain reserves against “Eurocurrency liabilities” under Regulation D of the F.R.S. Board, upon notice from such Lender, an additional amount equal to the product of the following for the Loan for each day during such Interest Period:

(i) the principal amount of the Loan outstanding on such day; and

(ii) the remainder of (x) a fraction the numerator of which is the rate (expressed as a decimal) at which interest accrues on the Loan for such Interest Period as provided in this Agreement (less, if applicable, the Floating Rate Margin) and the denominator of which is one minus any increase after the Signing Date in the effective rate (expressed as a decimal) at which such reserve requirements are imposed on such Lender minus (y) such numerator; and

(iii) 1/360.

Such notice shall (i) describe in reasonable detail the reserve requirement that has been imposed, together with the approximate date of the effectiveness thereof, (ii) set forth the applicable reserve percentage, (iii) certify that such request is consistent with such Lender’s treatment of other
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borrowers that are subject to similar provisions and (iv) certify that, to the best of its knowledge, such requirements are of general application in the commercial banking industry in the United States.

Each Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions and the terms of the COFACE Insurance Policy) to avoid the requirement of maintaining such reserves (including by designating a different Lending Office) if such efforts would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

SECTION 4.7. Payments, Computations, etc.

a) Unless otherwise expressly provided, all payments by the Borrower pursuant to this Agreement or any other Loan Document shall be made by the Borrower to the Facility Agent for the pro rata account of the Lenders entitled to receive such payment. All such payments required to be made to the Facility Agent shall be made, without set-off, deduction or counterclaim, not later than 11:00 a.m., New York time, on the date due, in same day or immediately available funds through the New York Clearing House Interbank Payments System (or such other funds as may be customary for the settlement of international banking transactions in Dollars), to such account as the Facility Agent shall specify from time to time by notice to the Borrower. Funds received after that time shall be deemed to have been received by the Lenders on the next succeeding Business Day.

b) Each Lender hereby instructs the Facility Agent, with respect to any portion of the Loan held by such Lender, to pay directly to such Lender interest thereon at the Fixed Rate or the Floating Rate (whichever is applicable), on the basis that, if interest on such portion of the Loan is then calculated at the Fixed Rate, such Lender will, where amounts are payable to Natixis by that Lender under the Interest Stabilisation Agreement, account directly to Natixis for any such amounts payable by that Lender under the Interest Stabilisation Agreement to which such Lender is a party.

c) The Facility Agent shall promptly (but in any event on the same Business Day that the same are received or, as contemplated in clause (a) of this Section, deemed received) remit in same day funds to each Lender its share, if any, of such payments received by the Facility Agent for the account of such Lender without any set-off, deduction or counterclaim. All interest and fees shall be computed on the basis of the actual number of days (including the first day but excluding the last day) occurring during the period for which such interest or fee is payable over a year comprised of 360 days. Whenever any payment to be made shall otherwise be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest and fees, if any, in connection with such payment.

SECTION 4.8. Replacement Lenders, etc. If the Borrower shall be required to make any payment to any Lender pursuant to Section 4.2.c), 4.3, 4.4, 4.5, 4.6 or 4.7, the Borrower shall be entitled at any time (so long as no Default and no Prepayment Event shall have occurred and be

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continuing) within 180 days after receipt of notice from such Lender of such required payment to (a) terminate such Lender’s Commitment (where upon the Percentage of each other Lender shall automatically be adjusted to an amount equal to such Lender’s ratable share of the remaining Commitments), (b) prepay the affected portion of such Lender’s Loan in full, together with accrued interest thereon through the date of such prepayment (provided that the Borrower shall not terminate any Lender’s Commitment pursuant to clause (a) or prepay any such Lender pursuant to this clause (b) without replacing such Lender pursuant to the following clause (c) until a 30-day period shall have elapsed during which the Borrower and the Facility Agent shall have attempted in good faith to replace such Lender), and/or (c) replace such Lender with another financial institution reasonably acceptable to the Facility Agent and (if the Fixed Rate applies) Natixis DAI, provided that (i) each such assignment shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement and (ii) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section unless and until such Lender shall have received one or more payments from either the Borrower or one or more Assignee Lenders in an aggregate amount at least equal to the aggregate outstanding principal amount of the Loan owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement. Each Lender represents and warrants to the Borrower that, as of the Signing Date (or, with respect to any Lender not a party hereto on the Signing Date, on the date that such Lender becomes a party hereto), there is no existing treaty, law, regulation, regulatory requirement, interpretation, directive, guideline, decision or request pursuant to Sections 4.3, 4.4, 4.5, 4.6 and 4.7 to or for account of such Lender.

SECTION 4.9. Sharing of Payments.

SECTION 4.9.1. Payments to Lenders. If a Lender (a "Recovering Lender") receives or recovers any amount from the Borrower other than in accordance with Section 4.8 (Payments, Computations, etc.) (a "Recovered Amount") and applies that amount to a payment due under the Loan Documents then:

a) the Recovering Lender shall, within three (3) Business Days, notify details of the receipt or recovery to the Facility Agent;

b) the Facility Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Lender would have been paid had the receipt or recovery been received or made by the Facility Agent and distributed in accordance with the said Section 4.8, without taking account of any taxes which would be imposed on the Facility Agent in relation to the receipt, recovery or distribution; and

c) the Recovering Lender shall, within three (3) Business Days of demand by the Facility Agent, pay to the Facility Agent an amount (the "Sharing Payment") equal to such receipt or recovery less any amount which the Facility Agent determines may be retained by
the Recovering Lender as its share of any payment to be made, in accordance with any applicable provisions of this Agreement.

SECTION 4.9.2. Redistribution of payments. The Facility Agent shall treat the Sharing Payment as if it had been paid by the Borrower and distribute it between the Lenders (other than the Recovering Lender) (the "Sharing Lenders") in accordance with the provisions of this Agreement towards the obligations of the Borrower to the Sharing Lenders.

SECTION 4.9.3. Recovering Lender's rights. On a distribution by the Facility Agent under Section 4.10.2 of a payment received by a Recovering Lender from the Borrower, as between the Borrower and the Recovering Lender, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by the Borrower.

SECTION 4.9.4. Reversal of redistribution. If any part of the Sharing Payment received or recovered by a Recovering Lender becomes repayable and is repaid by that Recovering Lender, then:

a) each Sharing Lender shall, upon request of the Facility Agent, pay to the Facility Agent for the account of that Recovering Lender an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Lender for its proportion of any interest on the Sharing Payment which that Recovering Lender is required to pay) (the "Redistributed Amount"); and

b) as between the Borrower and each relevant Sharing Lender, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by the Borrower.

SECTION 4.9.5. Exceptions.

a) This Section 4.10 shall not apply to the extent that the Recovering Lender would not, after making any payment pursuant to this Section 4.10, have a valid and enforceable claim against the Borrower.

b) A Recovering Lender is not obliged to share with any other Lender any amount which the Recovering Lender has received or recovered as a result of taking legal or arbitration proceedings, if:

(i) it notified the other Lender of the legal or arbitration proceedings; and

(ii) the other Lender had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

SECTION 4.10. Set-off. Upon the occurrence and during the continuance of an Event of Default or a Prepayment Event, each Lender shall have, to the extent permitted by applicable law, the right to appropriate and apply to the payment of the Obligations then due and owing to it any and all balances, credits, deposits, accounts or moneys of the Borrower then or thereafter maintained with such Lender; provided that any such appropriation and application shall be subject
to the provisions of Section 4.10. Each Lender agrees promptly to notify the Borrower and the Facility Agent after any such set-off and application made by such Lender; provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of set-off under applicable law or otherwise) which such Lender may have.

SECTION 4.11. Use of Proceeds. The Borrower shall apply the proceeds of the Loan made available to the Borrower in respect of the Additional Advances for the purpose of making payments of, or reimbursing the Borrower for payments already made for, the amounts referred to in clauses 5.2, 5.3 and/or 5.4 of the Novation Agreement and, without limiting the foregoing, no proceeds of the Loan will be used to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934 or any “margin stock”, as defined in F.R.S. Board Regulation U.

SECTION 4.12. FATCA Information.

a) Subject to paragraph c) below, each party (other than the Borrower) shall, within ten Business Days of a reasonable request by another party (other than the Borrower):

(i) confirm to that other party whether it is:

(A) a FATCA Exempt Party; or

(B) not a FATCA Exempt Party;

(ii) supply to that other party such forms, documentation and other information relating to its status under FATCA as that other party reasonably requests for the purposes of that other party's compliance with FATCA;

(iii) supply to that other party such forms, documentation and other information relating to its status as that other party reasonably requests for the purposes of that other party's compliance with any other law, regulation, or exchange of information regime.

b) If a party confirms to another party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not or has ceased to be a FATCA Exempt Party, that party shall notify that other party reasonably promptly.

c) Paragraph a) above shall not oblige any Lender or the Facility Agent to do anything, and paragraph a)(iii) above shall not oblige any other party to do anything, which would or might in its reasonable opinion constitute a breach of:

(i) any law or regulation;

(ii) any fiduciary duty; or

(iii) any duty of confidentiality.
d) If a party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such party shall be treated for the purposes of the Loan Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the party in question provides the requested confirmation, forms, documentation or other information.

e) Each party may make a FATCA Deduction from a payment under this Agreement that it is required to be made by FATCA, and any payment required in connection with that FATCA Deduction, and no party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

SECTION 4.13. Resignation of the Facility Agent. The Facility Agent shall resign (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Facility Agent) if, either:

a) the Facility Agent fails to respond to a request under Section 4.13 and a Lender reasonably believes that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party;

b) the information supplied by the Facility Agent pursuant to Section 4.13 indicates that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party; or

c) the Facility Agent notifies the Lenders that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party;

and (in each case) a Lender reasonably believes that a party to this Agreement will be required to make a FATCA Deduction that would not be required if the Facility Agent were a FATCA Exempt Party, and that Lender, by notice to the Facility Agent, requires it to resign.

ARTICLE V

CONDITIONS TO BORROWING

SECTION 5.1. Advance of the Loan. The obligation of the Lenders to fund the relevant portion of the Loan to be made available on the Actual Delivery Date shall be subject to the prior or concurrent satisfaction of each of the conditions precedent set forth in this Section 5.1. The Facility Agent shall advise the Lenders of the satisfaction of the conditions precedent set forth in this Section 5.1 prior to funding on the Actual Delivery Date.

SECTION 5.1.1. Resolutions, etc. The Facility Agent shall have received from the Borrower:

a) a certificate of its Secretary or Assistant Secretary as to the incumbency and signatures of those of its officers authorized to act with respect to this Agreement and each other Loan Document and as to the truth and completeness of the attached:
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(x) resolutions of its Board of Directors then in full force and effect authorizing the execution, delivery and performance of this Agreement and each other Loan Document, and

(y) Organic Documents of the Borrower,

and upon which certificate the Lenders may conclusively rely until the Facility Agent shall have received a further certificate of the Secretary or Assistant Secretary of the Borrower canceling or amending such prior certificate; and

b) a Certificate of Good Standing issued by the relevant Liberian authorities in respect of the Borrower.

SECTION 5.1.2.   **Opinions of Counsel.** The Facility Agent shall have received opinions, addressed to the Facility Agent and each Lender from:

a) Watson Farley & Williams LLP, counsel to the Borrower, as to Liberian Law, covering the matters set forth in Exhibit B-1 hereto;

b) Norton Rose Fulbright LLP, counsel to the Facility Agent and the Lenders, covering the matters set forth in Exhibit B-2 and, if the Coface Insurance Policy is to be re-issued or replaced or amended on or about the Actual Delivery Date, Exhibit B-3 hereto; and

c) Clifford Chance US LLP, United States tax counsel to the Facility Agent for the benefit of the Lenders, covering the matters set forth in Exhibit B-4 hereto,

each such opinion to be updated to take into account all relevant and applicable Loan Documents at the time of issue thereof.

SECTION 5.1.3.   **Coface Insurance Policy.** The Facility Agent or the ECA Agent shall have received the Coface Insurance Policy duly issued and Coface shall not have, prior to the advance of the Loan, delivered to the Facility Agent or the ECA Agent any notice seeking the cancellation, suspension or termination of the Coface Insurance Policy or the suspension of the drawing of the Additional Advances under this Agreement.

SECTION 5.1.4.   **Closing Fees, Expenses, etc.** The Facility Agent shall have received for its own account, or for the account of each Lender or Coface, as the case may be, all fees that the Borrower shall have agreed in writing to pay to the Facility Agent (whether for its own account or for the account of any of the Lenders) that are due and owing as of the date of such funding and all invoiced expenses of the Facility Agent (including the agreed fees and expenses of counsel to the Facility Agent and the Coface Premium) required to be paid by the Borrower pursuant to Section 11.3 or that the Borrower has otherwise agreed in writing to pay to the Facility Agent, in each case on or prior to the date of such funding.

SECTION 5.1.5.   **Compliance with Warranties, No Default, etc.** Both before and after giving effect to the funding of the Loan the following statements shall be true and correct:

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a) the representations and warranties set forth in Article VI (excluding, however, those set forth in Section 6.10) shall be true and correct in all material respects except for those representations and warranties that are qualified by materiality or Material Adverse Effect, which shall be true and correct, with the same effect as if then made; and

b) no Default and no Prepayment Event and no event which (with notice or lapse of time or both) would become a Prepayment Event shall have then occurred and be continuing.

SECTION 5.1.6. Loan Request. The Facility Agent shall have received a Loan Request duly executed by the Borrower together with:

a) certified as true (by the Builder) copies of the invoice and supporting documents received by the Builder from the Borrower pursuant to Appendix C of the Construction Contract in relation to the incurred Non-Yard Costs;

b) a copy of the final commercial invoice from the Builder showing the amount of the Contract Price (including the Non-Yard Costs) and the portion thereof payable to the Builder on the Actual Delivery Date under the Construction Contract; and

c) copies of the wire transfers for all payments by the Borrower to the Builder under the Construction Contract in respect of the Basic Contract Price to the extent not already provided as part of the drawdown conditions for drawdowns made by the Original Borrower.

SECTION 5.1.7. Foreign Exchange Counterparty Confirmations. The Facility Agent shall have received the documentation and other information referred to in clause 5.6 of the Novation Agreement.

SECTION 5.1.8. Protocol of delivery. The Facility Agent shall have received a copy of the protocol of delivery and acceptance under the Building Contract duly signed by the Builder and the Borrower.

SECTION 5.1.9. Title to Purchased Vessel. The Facility Agent shall have received evidence that the Purchased Vessel is legally and beneficially owned by the Borrower or one of the Borrower’s wholly owned Subsidiaries, free of all recorded Liens, other than Liens permitted by Section 7.2.3, and, to the extent not yet discharged, the Mortgage (as defined in the Novation Agreement).

SECTION 5.1.10. Interest Stabilisation. If the Fixed Rate applies, the ECA Agent shall have received a duly executed fixed rate approval from Natixis DAI issued to the Lenders in respect of the CIRR applicable to the Loan and shall have been informed by the French Authorities of the conditions of the interest make-up mechanisms (stabilisation du taux d'intérêt) applicable to the Loan under the applicable Interest Stabilisation Agreement in respect of the Lenders, such conditions to specify, among other things, that the CIRR has been retained under the interest make-up mechanisms applicable to the Loan.
ARTICLE VI

REPRESENTATIONS AND WARRANTIES

To induce the Lenders and the Facility Agent to enter into this Agreement and to make the Loan hereunder, the Borrower represents and warrants to the Facility Agent and each Lender as set forth in this Article VI as of the Actual Delivery Date (except as otherwise stated).

SECTION 6.1. Organization, etc. The Borrower is a corporation validly organized and existing and in good standing under the laws of its jurisdiction of incorporation; the Borrower is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the nature of its business requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect; and the Borrower has full power and authority, has taken all corporate action and holds all governmental and creditors’ licenses, permits, consents and other approvals necessary to enter into each Loan Document and to perform the Obligations.

SECTION 6.2. Due Authorization, Non-Contravention, etc. The execution, delivery and performance by the Borrower of this Agreement and each other Loan Document, are within the Borrower’s corporate powers, have been duly authorized by all necessary corporate action, and do not:

a) contravene the Borrower’s Organic Documents;

b) contravene any law or governmental regulation of any Applicable Jurisdiction except as would not reasonably be expected to result in a Material Adverse Effect;

c) contravene any court decree or order binding on the Borrower or any of its property except as would not reasonably be expected to result in a Material Adverse Effect;

d) contravene any contractual restriction binding on the Borrower or any of its property except as would not reasonably be expected to result in a Material Adverse Effect; or

e) result in, or require the creation or imposition of, any Lien on any of the Borrower’s properties except as would not reasonably be expected to result in a Material Adverse Effect.

SECTION 6.3. Government Approval, Regulation, etc. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or other Person is required for the due execution, delivery or performance by the Borrower of this Agreement or any other Loan Document (except for authorizations or approvals not required to be obtained on or prior to the Actual Delivery Date or that have been obtained or actions not required to be taken on or prior to the Actual Delivery Date or that have been taken). The Borrower holds all governmental licenses, permits and other approvals required to conduct its business as conducted by it on the Actual Delivery Date, except to the extent the failure to hold any such licenses, permits or other approvals would not have a Material Adverse Effect.
SECTION 6.4. **Compliance with Environmental Laws.** The Borrower is in compliance with all applicable Environmental Laws, except to the extent that the failure to so comply would not have a Material Adverse Effect.

SECTION 6.5. **Validity, etc.** This Agreement constitutes the legal, valid and binding obligation of the Borrower enforceable in accordance with its terms, except as the enforceability hereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors’ rights generally or by general equitable principles.

SECTION 6.6. **No Default, Event of Default or Prepayment Event.** No Default, Event of Default or Prepayment Event has occurred and is continuing.

SECTION 6.7. **Litigation.** There is no action, suit, litigation, investigation or proceeding pending or, to the knowledge of the Borrower, threatened against the Borrower, that (i) except as set forth in filings made by the Borrower with the SEC in the Borrower’s reasonable opinion might reasonably be expected to materially adversely affect the business, operations or financial condition of the Borrower and its Subsidiaries (taken as a whole) (collectively, “Material Litigation”) or (ii) purports to affect the legality, validity or enforceability of the Loan Documents or the consummation of the transactions contemplated hereby.

SECTION 6.8. **The Purchased Vessel.** Immediately following the delivery of the Purchased Vessel to the Borrower under the Construction Contract, the Purchased Vessel will be:

a) legally and beneficially owned by the Borrower or one of the Borrower’s wholly owned Subsidiaries,

b) registered in the name of the Borrower or one of the Borrower’s wholly owned Subsidiaries under the Bahamian or Maltese flag or such other flag as the parties may mutually agree,

c) classed as required by Section 7.1.4.b),

d) free of all recorded Liens, other than Liens permitted by Section 7.2.3,

e) insured against loss or damage in compliance with Section 7.1.5, and

f) exclusively operated by or chartered to the Borrower or one of the Borrower’s wholly owned Subsidiaries.

SECTION 6.9. **Obligations rank pari passu; Liens.**

a) The Obligations rank at least pari passu in right of payment and in all other respects with all other unsecured unsubordinated Indebtedness of the Borrower other than Indebtedness preferred as a matter of law.

b) As at the date of this Agreement, the provisions of this Agreement which permit or restrict the granting of Liens are no less favorable than the provisions permitting or
restricting the granting of Liens in any other agreement entered into by the Borrower with any other person providing financing or credit to the Borrower.

SECTION 6.10. Withholding, etc. As of the Signing Date, no payment to be made by the Borrower under any Loan Document is subject to any withholding or like tax imposed by any Applicable Jurisdiction.

SECTION 6.11. No Filing, etc. Required. No filing, recording or registration and no payment of any stamp, registration or similar tax is necessary under the laws of any Applicable Jurisdiction to ensure the legality, validity, enforceability, priority or admissibility in evidence of this Agreement or the other Loan Documents (except for filings, recordings, registrations or payments not required to be made on or prior to the Actual Delivery Date or that have been made).

SECTION 6.12. No Immunity. The Borrower is subject to civil and commercial law with respect to the Obligations. Neither the Borrower nor any of its properties or revenues is entitled to any right of immunity in any Applicable Jurisdiction from suit, court jurisdiction, judgment, attachment (whether before or after judgment), set-off or execution of a judgment or from any other legal process or remedy relating to the Obligations (to the extent such suit, court jurisdiction, judgment, attachment, set-off, execution, legal process or remedy would otherwise be permitted or exist).

SECTION 6.13. Investment Company Act. The Borrower is not required to register as an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

SECTION 6.14. Regulation U. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock, and no proceeds of the Loan will be used for a purpose which violates, or would be inconsistent with, F.R.S. Board Regulation U. Terms for which meanings are provided in F.R.S. Board Regulation U or any regulations substituted therefor, as from time to time in effect, are used in this Section with such meanings.

SECTION 6.15. Accuracy of Information. The financial and other information (other than financial projections or other forward looking information) furnished to the Facility Agent and the Lenders in writing by or on behalf of the Borrower by its chief financial officer, treasurer or corporate controller in connection with the negotiation of this Agreement is, when taken as a whole, to the best knowledge and belief of the Borrower, true and correct and contains no misstatement of a fact of a material nature. All financial projections, if any, that have been furnished to the Facility Agent and the Lenders in writing by or on behalf of the Borrower by its chief financial officer, treasurer or corporate controller in connection with this Agreement have been or will be prepared in good faith based upon assumptions believed by the Borrower to be reasonable at the time made (it being understood that such projections are subject to significant uncertainties and contingencies, many of which are beyond the Borrower’s control, and that no assurance can be given that the projections will be realized). All financial and other information furnished to the Facility Agent and the Lenders in writing by or on behalf of the Borrower by its chief financial officer, treasurer or corporate controller after the date of this Agreement shall have been prepared by the Borrower in good faith.
SECTION 6.16. Compliance with Laws. The Borrower is in compliance with all applicable laws, rules, regulations and orders, except to the extent that the failure to so comply does not and could not reasonably be expected to have a Material Adverse Effect, and the Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions. The Borrower and its Subsidiaries and, to the knowledge of the Borrower, their respective officers, employees, directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions, in all material respects and are not knowingly engaged in any activity that would reasonably be expected to result in Borrower being designated as a Sanctioned Person. None of (a) the Borrower, any Subsidiary or to the knowledge of the Borrower or such Subsidiary any of their respective directors, officers or employees, or (b) to the knowledge of the Borrower, any agent of the Borrower or any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person.

ARTICLE VII

COVENANTS

SECTION 7.1. Affirmative Covenants. The Borrower agrees with the Facility Agent and each Lender that, from the Effective Date (or, where applicable, from such time as may be stated in any applicable provision below) until all Commitments have terminated and all Obligations have been paid in full, the Borrower will perform the obligations set forth in this Section 7.1.

SECTION 7.1.1. Financial Information, Reports, Notices, etc. The Borrower will furnish, or will cause to be furnished, to the Facility Agent (with sufficient copies for distribution to each Lender) the following financial statements, reports, notices and information:

a) as soon as available and in any event within 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year of the Borrower, a copy of the Borrower’s report on Form 10-Q (or any successor form) as filed by the Borrower with the SEC for such Fiscal Quarter, containing unaudited consolidated financial statements of the Borrower for such Fiscal Quarter (including a balance sheet and profit and loss statement) prepared in accordance with GAAP, subject to normal year-end audit adjustments;

b) as soon as available and in any event within 120 days after the end of each Fiscal Year of the Borrower, a copy of the Borrower’s annual report on Form 10-K (or any successor form) as filed by the Borrower with the SEC for such Fiscal Year, containing audited consolidated financial statements of the Borrower for such Fiscal Year prepared in accordance with GAAP (including a balance sheet and profit and loss statement) and audited by PricewaterhouseCoopers LLP or another firm of independent public accountants of similar standing;

c) together with each of the statements delivered pursuant to the foregoing clause (a) or (b), a certificate, executed by the chief financial officer, the treasurer or the corporate controller of the Borrower, showing, as of the last day of the relevant Fiscal Quarter or
Fiscal Year compliance with the covenants set forth in Section 7.2.4 (in reasonable detail and with appropriate calculations and computations in all respects reasonably satisfactory to the Facility Agent);

d) as soon as possible after the occurrence of a Default or Prepayment Event, a statement of the chief financial officer of the Borrower setting forth details of such Default or Prepayment Event (as the case may be) and the action which the Borrower has taken and proposes to take with respect thereto;

e) as soon as the Borrower becomes aware thereof, notice of any Material Litigation except to the extent that such Material Litigation is disclosed by the Borrower in filings with the SEC;

f) as soon as the Borrower becomes aware thereof, notice of any event which, in its reasonable opinion, would be expected to materially adversely affect the business, operations or financial condition of the Borrower and its Subsidiaries taken as a whole;

g) promptly after the sending or filing thereof, copies of all reports which the Borrower sends to all holders of each security issued by the Borrower, and all registration statements which the Borrower or any of its Subsidiaries files with the SEC or any national securities exchange; and

h) such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as any Lender through the Facility Agent may from time to time reasonably request (including an update to any information and projections previously provided to the Lenders where these have been prepared and are available);

provided that information required to be furnished to the Facility Agent under subsections (a), (b) and (g) of this Section 7.1.1 shall be deemed furnished to the Facility Agent when available free of charge on the Borrower’s website at http://www.rclinvestor.com or the SEC’s website at http://www.sec.gov.

SECTION 7.1.2. Approvals and Other Consents. The Borrower will obtain (or cause to be obtained) all such governmental licenses, authorizations, consents, permits and approvals as may be required for (a) the Borrower to perform its obligations under this Agreement and the other Loan Documents and (b) the operation of the Purchased Vessel in compliance with all applicable laws, except, in each case, to the extent that failure to obtain (or cause to be obtained) such governmental licenses, authorizations, consents, permits and approvals would not be expected to have a Material Adverse Effect.

SECTION 7.1.3. Compliance with Laws, etc. The Borrower will, and will cause each of its Subsidiaries to, comply in all material respects with all applicable laws, rules, regulations and orders, except (other than as described in clauses (a) and (f) below) to the extent that the failure to so comply would not have a Material Adverse Effect, which compliance shall in any case include (but not be limited to):
a) in the case of the Borrower, the maintenance and preservation of its corporate existence (subject to the provisions of Section 7.2.6);

b) in the case of the Borrower, maintenance of its qualification as a foreign corporation in the State of Florida;

c) the payment, before the same become delinquent, of all taxes, assessments and governmental charges imposed upon it or upon its property, except to the extent being diligently contested in good faith by appropriate proceedings;

d) compliance with all applicable Environmental Laws;

e) compliance with all anti-money laundering and anti-crupt practices laws applicable to the Borrower, including by not making or causing to be made any offer, gift or payment, consideration or benefit of any kind to anyone, either directly or indirectly, as an inducement or reward for the performance of any of the transactions contemplated by this agreement to the extent the same would be in contravention of such applicable laws; and

f) the Borrower will maintain in effect policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers and employees with Anti-Corruption Laws and applicable Sanctions.

SECTION 7.1.4. The Purchased Vessel. The Borrower will:

a) cause the Purchased Vessel to be exclusively operated by or chartered to the Borrower or one of the Borrower’s wholly owned Subsidiaries, provided that the Borrower or such Subsidiary may charter out the Purchased Vessel (i) to entities other than the Borrower and the Borrower’s wholly owned Subsidiaries and (ii) on a time charter with a stated duration not in excess of one year;

b) cause the Purchased Vessel to be kept in such condition as will entitle her to classification by a classification society of recognized standing;

c) provide the following to the Facility Agent with respect to the Purchased Vessel:

   (i) evidence as to the ownership of the Purchased Vessel by the Borrower or one of the Borrower’s wholly owned Subsidiaries; and

   (ii) evidence of no recorded Liens on the Purchased Vessel, other than Liens permitted pursuant to Section 7.2.3;

d) within seven days after the Actual Delivery Date, provide the following to the Facility Agent with respect to the Purchased Vessel:

   (i) evidence of the class of the Purchased Vessel; and
Exhibit 10.10

(ii) evidence as to all required insurance being in effect with respect to the Purchased Vessel.

SECTION 7.1.5. **Insurance.** The Borrower will maintain or cause to be maintained with responsible insurance companies insurance with respect to the Purchased Vessel against such casualties, third-party liabilities and contingencies and in such amounts, in each case, as is customary for other businesses of similar size in the passenger cruise line industry (provided that in no event will the Borrower or any Subsidiary be required to obtain any business interruption, loss of hire or delay in delivery insurance) and will, upon request of the Facility Agent, furnish to the Facility Agent (with sufficient copies for distribution to each Lender) at reasonable intervals a certificate of a senior officer of the Borrower setting forth the nature and extent of all insurance maintained by the Borrower and certifying as to compliance with this Section.

SECTION 7.1.6. **Books and Records.** The Borrower will keep books and records that accurately reflect all of its business affairs and transactions and permit the Facility Agent and each Lender or any of their respective representatives, at reasonable times and intervals and upon reasonable prior notice, to visit each of its offices, to discuss its financial matters with its officers and to examine any of its books or other corporate records.

SECTION 7.1.7. **Coface Insurance Policy/French Authority Requirements.** The Borrower shall, on the reasonable request of the ECA Agent or the Facility Agent, provide such other information as required under the Coface Insurance Policy and/or the Interest Stabilisation Agreement as necessary to enable the ECA Agent or the Facility Agent to obtain the full support of the relevant French Authority pursuant to the Coface Insurance Policy and/or the Interest Stabilisation Agreement (as the case may be). The Borrower must pay to the ECA Agent or the Facility Agent the amount of all reasonable costs and expenses reasonably incurred by the ECA Agent or the Facility Agent in connection with complying with a request by any French Authority for any additional information necessary or desirable in connection with the Coface Insurance Policy or the Interest Stabilisation Agreement (as the case may be); provided that the Borrower is consulted before the ECA Agent or Natixis incurs any such cost or expense.

SECTION 7.2. **Negative Covenants.** The Borrower agrees with the Facility Agent and each Lender that, from the Effective Date until all Commitments have terminated and all Obligations have been paid and performed in full, the Borrower will perform the obligations set forth in this Section 7.2.

SECTION 7.2.1. **Business Activities.** The Borrower will not, and will not permit any of its Subsidiaries to, engage in any principal business activity other than those engaged in by the Borrower and its Subsidiaries on the date hereof and other business activities reasonably related thereto.

SECTION 7.2.2. **Indebtedness.** The Borrower will not permit any of the Existing Principal Subsidiaries to create, incur, assume or suffer to exist or otherwise become or be liable in respect of any Indebtedness, other than, without duplication, the following:

a) Indebtedness secured by Liens of the type described in Section 7.2.3:
b) Indebtedness owing to the Borrower or a wholly owned direct or indirect Subsidiary of the Borrower;

c) Indebtedness incurred to finance, refinance or refund the cost (including the cost of construction) of assets acquired after the Effective Date;

d) Indebtedness in an aggregate principal amount, together with (but without duplication of) Indebtedness permitted to be secured under Section 7.2.3.b), at any one time outstanding not exceeding the greater of (determined at the time of creation of such Lien or the incurrence by any Existing Principal Subsidiary of such Indebtedness, as applicable) (x) 5.0% of the total assets of the Borrower and its Subsidiaries taken as a whole as determined in accordance with GAAP as at the last day of the most recent ended Fiscal Quarter and (y) $735,000,000; and

e) obligations in respect of Hedging Instruments entered into for the purpose of managing interest rate, foreign currency exchange or commodity exposure risk and not for speculative purposes.

SECTION 7.2.3. Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon any of its property, revenues or assets, whether now owned or hereafter acquired, except:

a) Liens on assets (including, without limitation, shares of capital stock of corporations and assets owned by any corporation that becomes a Subsidiary of the Borrower after the Effective Date) acquired after the Effective Date (whether by purchase, construction or otherwise) by the Borrower or any of its Subsidiaries (other than (x) an Existing Principal Subsidiary or (y) any other Principal Subsidiary which, at any time, after three months after the acquisition of a Vessel, owns a Vessel free of any mortgage Lien), which Liens were created solely for the purpose of securing Indebtedness representing, or incurred to finance, refinance or refund, the cost (including the cost of construction) of such assets, so long as (i) the acquisition of such assets is not otherwise prohibited by the terms of this Agreement and (ii) each such Lien is created within three months after the acquisition of the relevant assets;

b) in addition to other Liens permitted under this Section 7.2.3., Liens securing Indebtedness in an aggregate principal amount, together with (but without duplication of) Indebtedness permitted under Section 7.2.2.d), at any one time outstanding not exceeding the greater of (determined at the time of creation of such Lien or the incurrence by any Existing Principal Subsidiary of such indebtedness, as applicable) (x) 5.0% of the total assets of the Borrower and its Subsidiaries taken as a whole as determined in accordance with GAAP as at the last day of the most recent ended Fiscal Quarter or (y) $735,000,000, provided that, with respect to each such item of Indebtedness, the fair market value of the assets subject to Liens securing such Indebtedness (determined at the time of the creation of such Lien) shall not exceed two times the aggregate principal amount of such Indebtedness (and for purposes of this clause (b), the fair market value of any assets shall be determined by (i) in the case of any Vessel, by an Approved Appraiser selected
by the Borrower and (ii) in the case of any other assets, by an officer of the Borrower or by the board of directors of the Borrower;

c)Liens on assets acquired after the Effective Date by the Borrower or any of its Subsidiaries (other than by (x) any Subsidiary that is an Existing Principal Subsidiary or (y) any other Principal Subsidiary which, at any time, owns a Vessel free of any mortgage Lien) so long as (i) the acquisition of such assets is not otherwise prohibited by the terms of this Agreement and (ii) each of such Liens existed on such assets before the time of its acquisition and was not created by the Borrower or any of its Subsidiaries in anticipation thereof;

d)Liens on any asset of any corporation that becomes a Subsidiary of the Borrower (other than a corporation that also becomes a Subsidiary of an Existing Principal Subsidiary) after the Effective Date so long as (i) the acquisition or creation of such corporation by the Borrower is not otherwise prohibited by the terms of this Agreement and (ii) such Liens are in existence at the time such corporation becomes a Subsidiary of the Borrower and were not created by the Borrower or any of its Subsidiaries in anticipation thereof;

e)Liens securing Government-related Obligations;

f)Liens for taxes, assessments or other governmental charges or levies not at the time delinquent or thereafter payable without penalty or being diligently contested in good faith by appropriate proceedings;

g)Liens of carriers, warehousemen, mechanics, material-men and landlords incurred in the ordinary course of business for sums not overdue or being diligently contested in good faith by appropriate proceedings;

h)Liens incurred in the ordinary course of business in connection with workers’ compensation, unemployment insurance or other forms of governmental insurance or benefits;

i)Liens for current crew’s wages and salvage;

j)Liens arising by operation of law as the result of the furnishing of necessaries for any Vessel so long as the same are discharged in the ordinary course of business or are being diligently contested in good faith by appropriate proceedings;

k)Liens on Vessels that:

(i) secure obligations covered (or reasonably expected to be covered) by insurance;

(ii) were incurred in the course of or incidental to trading such Vessel in connection with repairs or other work to such Vessel; or
were incurred in connection with work to such Vessel that is required to be performed pursuant to applicable law, rule, regulation or order;

provided that, in each case described in this clause (k), such Liens are either (x) discharged in the ordinary course of business or (y) being diligently contested in good faith by appropriate proceedings;

l) normal and customary rights of set-off upon deposits of cash or other Liens originating solely by virtue of any statutory or common law provision relating to bankers’ liens, rights of set-off or similar rights in favor of banks or other depository institutions;

m) Liens in respect of rights of set-off, recoupment and holdback in favor of credit card processors securing obligations in connection with credit card processing services incurred in the ordinary course of business; and  
n) Liens on cash or Cash Equivalents securing obligations in respect of Hedging Instruments permitted under Section 7.2.2.e) or securing letters of credit that support such obligations.

SECTION 7.2.4. Financial Condition. The Borrower will not permit:

a) Net Debt to Capitalization Ratio, as at the end of any Fiscal Quarter, to be greater than 0.625 to 1.

b) Fixed Charge Coverage Ratio to be less than 1.25 to 1 as at the last day of any Fiscal Quarter.

c) Stockholders’ Equity to be less than, as at the last day of any Fiscal Quarter, the sum of (i) $4,150,000,000 plus (ii) 50% of the consolidated net income of the Borrower and its Subsidiaries for the period commencing on January 1, 2007 and ending on the last day of the Fiscal Quarter most recently ended (treated for these purposes as a single accounting period, but in any event excluding any Fiscal Quarters for which the Borrower and its Subsidiaries have a consolidated net loss).

SECTION 7.2.5. Investments. The Borrower will not permit any of the Principal Subsidiaries to make, incur, assume or suffer to exist any Investment in any other Person other than

a) the Borrower or any direct or indirect wholly owned Subsidiary of the Borrower; and  
b) other Investments by the Principal Subsidiaries in an aggregate amount not to exceed $100,000,000 at any time outstanding.

SECTION 7.2.6. Consolidation, Merger, etc. The Borrower will not, and will not permit any of its Subsidiaries to, liquidate or dissolve, consolidate with, or merge into or with, any other corporation, or purchase or otherwise acquire all or substantially all of the assets of any Person except:
a) any such Subsidiary may (i) liquidate or dissolve voluntarily into, and may merge with and into, the Borrower or any other Subsidiary, and the assets or stock of any Subsidiary may be purchased or otherwise acquired by the Borrower or any other Subsidiary or (ii) merge with and into another Person in connection with a sale or other disposition permitted by Section 7.2.7; and

b) so long as no Event of Default has occurred and is continuing or would occur after giving effect thereto, the Borrower or any of its Subsidiaries may merge into any other Person, or any other Person may merge into the Borrower or any such Subsidiary, or the Borrower or any of its Subsidiaries may purchase or otherwise acquire all or substantially all of the assets of any Person, in each case so long as:

(i) after giving effect thereto, the Stockholders’ Equity of the Borrower and its Subsidiaries is at least 90% of such Stockholders’ Equity immediately prior thereto; and

(ii) in the case of a merger involving the Borrower where the Borrower is not the surviving corporation, the surviving corporation shall have assumed in a writing, delivered to the Facility Agent, all of the Borrower’s obligations hereunder and under the other Loan Documents.

SECTION 7.2.7. Asset Dispositions, etc. The Borrower will not, and will not permit any of its Subsidiaries to, sell, transfer, contribute or otherwise convey, or grant options, warrants or other rights with respect to, any material asset (including accounts receivable and capital stock of Principal Subsidiaries) to any Person, except:

a) sales of assets (including, without limitation, Vessels) so long as at the time of any such sale:

(i) the aggregate net book value of all such assets sold during each fiscal year does not exceed an amount equal to the greater of (x) 12.5% of Stockholders’ Equity as at the end of the last Fiscal Quarter, and (y) $675,000,000; and

(ii) to the extent any asset has a fair market value in excess of $250,000,000 the Borrower or Subsidiary selling such asset receives consideration therefor at least equal to the fair market value thereof (as determined in good faith by (x) in the case of any Vessel, the board of directors of the Borrower and (y) in the case of any other asset, an officer of the Borrower or its board of directors);

b) sales of capital stock of any Principal Subsidiary of the Borrower so long as a sale of all of the assets of such Subsidiary would be permitted under the foregoing clause (a);

c) sales of capital stock of any Subsidiary other than a Principal Subsidiary;

d) sales of other assets in the ordinary course of business; and

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e) sales of assets between or among the Borrower and Subsidiaries of the Borrower.

SECTION 7.3. Lender incorporated in the Federal Republic of Germany. The representations and warranties and covenants given in Sections 6.16 and 7.1.3(f) respectively shall only be given, and be applicable to, a Lender incorporated in the Federal Republic of Germany insofar as the giving of and compliance with such representations and warranties do not result in a violation or conflict with section 7 of the German Foreign Trade Regulation (Außenwirtschaftsverordnung) (in conjunction with section 4 paragraph 1 a no.3 foreign trade law (AWG) (Außenwirtschaftsgesetz)), any provision of Council Regulation (EC) 2271/1996 or any similar applicable anti-boycott law or regulation.

ARTICLE VIII

EVENTS OF DEFAULT

SECTION 8.1. Listing of Events of Default. Each of the following events or occurrences described in this Section 8.1 shall constitute an “Event of Default”.

SECTION 8.1.1. Non-Payment of Obligations. The Borrower shall default in the payment when due of any principal of or interest on the Loan or any Commitment Fee, or the Borrower shall default in the payment of any fee due and payable under the Fee Letter, provided that, in the case of any default in the payment of any interest on the Loan or of any Commitment Fee, such default shall continue unremedied for a period of at least two (2) Business Days after notice thereof shall have been given to the Borrower by the Facility Agent; and provided further that, in the case of any default in the payment of any fee due and payable under the Fee Letter, such default shall continue unremedied for a period of at least ten days after notice thereof shall have been given to the Borrower by the Facility Agent.

SECTION 8.1.2. Breach of Warranty. Any representation or warranty of the Borrower made or deemed to be made hereunder (including any certificates delivered pursuant to Article V) is or shall be incorrect in any material respect when made.

SECTION 8.1.3. Non-Performance of Certain Covenants and Obligations. The Borrower shall default in the due performance and observance of any other agreement contained herein or in any other Loan Document (other than the covenants set forth in Section 7.2.4 and the obligations referred to in Section 8.1.1) and such default shall continue unremedied for a period of five days after notice thereof shall have been given to the Borrower by the Facility Agent or any Lender (or, if (a) such default is capable of being remedied within 30 days (commencing on the first day following such five-day period) and (b) the Borrower is actively seeking to remedy the same during such period, such default shall continue unremedied for at least 35 days after such notice to the Borrower).

SECTION 8.1.4. Default on Other Indebtedness. (a) The Borrower or any of its Principal Subsidiaries shall fail to pay any Indebtedness that is outstanding in a principal amount of at least $100,000,000 (or the equivalent in other currencies) in the aggregate (but excluding Indebtedness hereunder or with respect to Hedging Instruments) when the same becomes due and
payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; (b) the occurrence under any Hedging Instrument of an Early Termination Date (as defined in such Hedging Instrument) resulting from (A) any event of default under such Hedging Instrument as to which the Borrower is the Defaulting Party (as defined in such Hedging Instrument) or (B) any Termination Event (as so defined) as to which the Borrower is an Affected Party (as so defined) and, in either event, the termination value with respect to any such Hedging Instrument owed by the Borrower as a result thereof is greater than $100,000,000 and the Borrower fails to pay such termination value when due after applicable grace periods; or (c) any other event shall occur or condition shall exist under any agreement or instrument evidencing, securing or relating to any such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to cause or permit the holder or holders of such Indebtedness to cause such Indebtedness to become due and payable prior to its scheduled maturity; or (d) any such Indebtedness shall be declared to be due and payable or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption or by voluntary agreement), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Indebtedness is required to be made, in each case prior to the scheduled maturity thereof. For purposes of determining Indebtedness for any Hedging Instrument, the principal amount of the obligations under any such instrument at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or any Principal Subsidiary would be required to pay if such instrument were terminated at such time.

SECTION 8.1.5. Bankruptcy, Insolvency, etc. The Borrower or any of the Principal Subsidiaries (or any of its other Subsidiaries to the extent that the relevant event described below would have a Material Adverse Effect) shall:

a) generally fail to pay, or admit in writing its inability to pay, its debts as they become due;

b) apply for, consent to, or acquiesce in, the appointment of a trustee, receiver, sequestrator or other custodian for it or any of its property, or make a general assignment for the benefit of creditors;

c) in the absence of such application, consent or acquiescence, permit or suffer to exist the appointment of a trustee, receiver, sequestrator or other custodian for it or for a substantial part of its property, and such trustee, receiver, sequestrator or other custodian shall not be discharged within 60 days, provided that in the case of such an event in respect of the Borrower, the Borrower hereby expressly authorizes the Facility Agent and each Lender to appear in any court conducting any relevant proceeding during such 60-day period to preserve, protect and defend their respective rights under the Loan Documents;

d) permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of the Borrower or any of such Subsidiaries, and, if any such case or proceeding is not commenced by the
Borrower or such Subsidiary, such case or proceeding shall be consented to or acquiesced in by the Borrower or such Subsidiary or shall result in the entry of an order for relief or shall remain for 60 days undismitted, provided that the Borrower hereby expressly authorizes the Facility Agent and each Lender to appear in any court conducting any such case or proceeding during such 60-day period to preserve, protect and defend their respective rights under the Loan Documents; or

e) take any corporate action authorizing, or in furtherance of, any of the foregoing.

SECTION 8.2. Action if Bankruptcy. If any Event of Default described in clauses (b) through (d) of Section 8.1.5 shall occur with respect to the Borrower, the Commitments (if not theretofore terminated) shall automatically terminate and the outstanding principal amount of the Loan and all other Obligations shall automatically be and become immediately due and payable, without notice or demand.

SECTION 8.3. Action if Other Event of Default. If any Event of Default (other than any Event of Default described in clauses (b) through (d) of Section 8.1.5 with respect to the Borrower) shall occur for any reason, whether voluntary or involuntary, and be continuing, the Facility Agent, upon the direction of the Required Lenders (after consultation with Coface who shall have the right to instruct the Lenders to waive such Event of Default), shall by notice to the Borrower declare all of the outstanding principal amount of the Loan and other Obligations to be due and payable and/or the Commitments (if not theretofore terminated) to be terminated, whereupon the full unpaid amount of the Loan and other Obligations shall be and become immediately due and payable, without further notice, demand or presentment, and/or, as the case may be, the Commitments shall terminate.

ARTICLE IX

PREPAYMENT EVENTS

SECTION 9.1. Listing of Prepayment Events. Each of the following events or occurrences described in this Section 9.1 shall constitute a “Prepayment Event”.

SECTION 9.1.1. Change of Control. There occurs any Change of Control.

SECTION 9.1.2. Unenforceability. Any Loan Document shall cease to be the legally valid, binding and enforceable obligation of the Borrower (in each case, other than with respect to provisions of any Loan Document (i) identified as unenforceable in the form of the opinion of the Borrower’s counsel set forth as Exhibit B-1 or (ii) that a court of competent jurisdiction has determined are not material) and such event shall continue unremedied for 15 days after notice thereof has been given to the Borrower by the Facility Agent.

SECTION 9.1.3. Approvals. Any material license, consent, authorization, registration or approval at any time necessary to enable the Borrower or any Principal Subsidiary
to conduct its business shall be revoked, withdrawn or otherwise cease to be in full force and effect, unless the same would not have a Material Adverse Effect.

SECTION 9.1.4. Non-Performance of Certain Covenants and Obligations. The Borrower shall default in the due performance and observance of any of the covenants set forth in Sections 4.12 or 7.2.4.

SECTION 9.1.5. Judgments. Any judgment or order for the payment of money in excess of $100,000,000 shall be rendered against the Borrower or any of the Principal Subsidiaries by a court of competent jurisdiction and the Borrower or such Principal Subsidiary shall have failed to satisfy such judgment and either:

a) enforcement proceedings in respect of any material assets of the Borrower or such Principal Subsidiary shall have been commenced by any creditor upon such judgment or order and shall not have been stayed or enjoined within five (5) Business Days after the commencement of such enforcement proceedings; or

b) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

SECTION 9.1.6. Condemnation, etc. The Purchased Vessel shall be condemned or otherwise taken under color of law or requisitioned and the same shall continue unremedied for at least 20 days, unless such condemnation or other taking would not have a Material Adverse Effect.

SECTION 9.1.7. Arrest. The Purchased Vessel shall be arrested and the same shall continue unremedied for at least 20 days, unless such arrest would not have a Material Adverse Effect.

SECTION 9.1.8. Sale/Disposal of the Purchased Vessel. The Purchased Vessel is sold to a company which is not the Borrower or any other Subsidiary of the Borrower (other than for the purpose of a lease back to the Borrower or any other Subsidiary of the Borrower).

SECTION 9.1.9. Coface Insurance Policy. The Coface Insurance Policy is cancelled for any reason or ceases to be in full force and effect.

SECTION 9.1.10. Illegality. No later than the close of business on the last day of the Option Period related to the giving of any Illegality Notice by an affected Lender pursuant to Section 3.2.b), either: (x) the Borrower has not elected to take an action specified in clause (1) or (2) of Section 3.2.c) or (y) if any such election shall have been made, the Borrower has failed to take the action required in respect of such election. In such circumstances the Facility Agent (at the direction of the affected Lender) shall by notice to the Borrower require the Borrower to prepay in full all principal and interest and all other Obligations owing to such Lender either (i) forthwith or, as the case may be, (ii) on a future specified date not being earlier than the latest date permitted by the relevant law.
SECTION 9.2. **Mandatory Prepayment.** If any Prepayment Event (other than a Prepayment Event under **Section 9.1.10**) shall occur and be continuing, the Facility Agent, upon the direction of the Required Lenders, shall by notice to the Borrower require the Borrower to prepay in full on the date of such notice all principal of and interest on the Loan and all other Obligations (and, in such event, the Borrower agrees to so pay the full unpaid amount of the Loan and all accrued and unpaid interest thereon and all other Obligations).

SECTION 9.3. **Mitigation.** If the ECA Agent, the Facility Agent or any of the Lenders become aware that an event or circumstance has arisen which will cause the Coface Insurance Policy to be cancelled for any reason or no longer remain in full force and effect they shall notify the Borrower and the Lenders, the Borrower, the ECA Agent and the Facility Agent shall negotiate in good faith for a period of up to 30 days or, if less, the date by which the Coface Insurance Policy shall be terminated or cease to be in full force and effect to determine whether the facility can be restructured and/or the Loan refinanced in a manner acceptable to each of the Lenders in their absolute discretion. The Lenders will use reasonable efforts to involve Coface in such negotiations.

**ARTICLE X**

**THE FACILITY AGENT AND THE ECA AGENT**

SECTION 10.1. **Actions.** Each Lender hereby appoints Citibank Europe plc, UK Branch, as Facility Agent and Citibank as ECA Agent, as its agent under and for purposes of this Agreement and each other Loan Document (for purposes of this **Article X**, the Facility Agent and the ECA Agent are referred to collectively as the “**Agents**”). Each Lender authorizes the Agents to act on behalf of such Lender under this Agreement and each other Loan Document and, in the absence of other written instructions from the Required Lenders received from time to time by the Agents (with respect to which each Agent agrees that it will comply, except as otherwise provided in this **Section 10.1** or as otherwise advised by counsel or as otherwise instructed by any French Authority, it being understood and agreed that any instructions provided by a French Authority shall prevail), to exercise such powers hereunder and thereunder as are specifically delegated to or required of the Agents by the terms hereof and thereof, together with such powers as may be reasonably incidental thereto. Neither Agent shall be obliged to act on the instructions of any Lender or the Required Lenders if to do so would, in the opinion of such Agent, be contrary to any provision of this Agreement or any other Loan Document or to any law or the conflicting instructions of any French Authority, or would expose such Agent to any actual or potential liability to any third party. As between the Lenders and the Agents, it is acknowledged that each Agent’s duties under this Agreement and the other Loan Documents are solely mechanical and administrative in nature.

SECTION 10.2. **Indemnity.** Each Lender hereby indemnifies (which indemnity shall survive any termination of this Agreement) each Agent, pro rata according to such Lender’s Percentage, from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and disbursements of counsel) that be incurred by or asserted or awarded against, such Agent in any way relating to or arising out of this Agreement and any other Loan Document or any action taken or omitted by such Agent under this Agreement or any other Loan Document; provided that no Lender shall be liable for the payment of any portion of such
claims, damages, losses, liabilities and expenses which have resulted from such Agent’s gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse each Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by such Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that such Agent is not reimbursed for such expenses by the Borrower. In the case of any investigation, litigation or proceeding giving rise to any such indemnified costs, this Section applies whether any such investigation, litigation or proceeding is brought by any Agent, any Lender or a third party. Neither Agent shall be required to take any action hereunder or under any other Loan Document, or to prosecute or defend any suit in respect of this Agreement or any other Loan Document, unless it is expressly required to do so under this Agreement or is indemnified hereunder to its satisfaction. If any indemnity in favor of an Agent shall be or become, in such Agent’s determination, inadequate, such Agent may call for additional indemnification from the Lenders and cease to do the acts indemnified against hereunder until such additional indemnity is given.

SECTION 10.3. Funding Reliance, etc. Each Lender shall notify the Facility Agent by 4:00 p.m., London time, one day prior to the advance of the Loan if it is not able to fund the following day. Unless the Facility Agent shall have been notified by telephone, confirmed in writing, by any Lender by 4:00 p.m., London time, on the day prior to the advance of the Loan that such Lender will not make available the amount which would constitute its Percentage of the Loan on the date specified therefor, the Facility Agent may assume that such Lender has made such amount available to the Facility Agent and, in reliance upon such assumption, may, but shall not be obliged to, make available to the Borrower a corresponding amount. If and to the extent that such Lender shall not have made such amount available to the Facility Agent, such Lender and the Borrower severally agree to repay the Facility Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date the Facility Agent made such amount available to the Borrower to the date such amount is repaid to the Facility Agent, at the interest rate applicable at the time to the Loan without premium or penalty.

SECTION 10.4. Exculpation. Neither of the Agents nor any of their respective directors, officers, employees or agents shall be liable to any Lender for any action taken or omitted to be taken by it under this Agreement or any other Loan Document, or in connection herewith or therewith, except for its own willful misconduct or gross negligence. Without limitation of the generality of the foregoing, each Agent (i) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it and in accordance with the advice of such counsel, accountants or experts, (ii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement, (iii) shall not have any duty to ascertain or to inquire as to the performance, observance or satisfaction of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or the existence at any time of any Default or Prepayment Event or to inspect the property (including the books and records) of the Borrower, (iv) shall not be responsible to any Lender for the due execution, legality, validity,
enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto, (v) shall incur no liability under or in respect of this Agreement by action upon any notice, consent, certificate or other instrument or writing (which may be by telecopier) believed by it to be genuine and signed or sent by the proper party or parties, and (vi) shall have no responsibility to the Borrower or any Lender on account of (A) the failure of a Lender or the Borrower to perform any of its obligations under this Agreement or any Loan Document; (B) the financial condition of the Borrower; (C) the completeness or accuracy of any statements, representations or warranties made in or pursuant to this Agreement or any Loan Document, or in or pursuant to any document delivered pursuant to or in connection with this Agreement or any Loan Document, or in or pursuant to any document delivered pursuant to or in connection with this Agreement or any Loan Document or of any document executed or delivered pursuant to or in connection with any Loan Document.

SECTION 10.5. Successor. The Facility Agent may resign as such at any time upon at least 30 days' prior notice to the Borrower and all Lenders and shall resign where required to do in accordance with Section 4.14, provided that any such resignation shall not become effective until a successor Facility Agent has been appointed as provided in this Section 10.5 and such successor Facility Agent has accepted such appointment. If the Facility Agent at any time shall resign, the Required Lenders shall, subject to the immediately preceding proviso and subject to the consent of the Borrower (such consent not to be unreasonably withheld), appoint another Lender as a successor to the Facility Agent which shall thereupon become such Facility Agent's successor hereunder (provided that the Required Lenders shall, subject to the consent of the Borrower unless an Event or Default or a Prepayment Event shall have occurred and be continuing (such consent not to be unreasonably withheld or delayed) offer to each of the other Lenders in turn, in the order of their respective Percentages of the Loan, the right to become successor Facility Agent). If no successor Facility Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the Facility Agent’s giving notice of resignation, then the Facility Agent may, on behalf of the Lenders, appoint a successor Facility Agent, which shall be one of the Lenders or a commercial banking institution having a combined capital and surplus of at least $1,000,000,000 (or the equivalent in other currencies), subject, in each case, to the consent of the Borrower (such consent not to be unreasonably withheld). Upon the acceptance of any appointment as Facility Agent hereunder by a successor Facility Agent, such successor Facility Agent shall be entitled to receive from the resigning Facility Agent such documents of transfer and assignment as such successor Facility Agent may reasonably request, and shall thereupon succeed to and become vested with all rights, powers, privileges and duties of the resigning Facility Agent, and the resigning Facility Agent shall be discharged from its duties and obligations under this Agreement. After any resigning Facility Agent’s resignation hereunder as the Facility Agent, the provisions of:

a) this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Facility Agent under this Agreement; and

b) Section 11.3 and Section 11.4 shall continue to inure to its benefit.
If a Lender acting as the Facility Agent assigns its Loan to one of its Affiliates, such Facility Agent may, subject to the consent of the Borrower (such consent not to be unreasonably withheld or delayed) assign its rights and obligations as Facility Agent to such Affiliate.

SECTION 10.6. Loans by the Facility Agent. The Facility Agent shall have the same rights and powers with respect to the Loan made by it or any of its Affiliates. The Facility Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as if the Facility Agent were not the Facility Agent hereunder and without any duty to account therefor to the Lenders. The Facility Agent shall have no duty to disclose information obtained or received by it or any of its Affiliates relating to the Borrower or its Subsidiaries to the extent such information was obtained or received in any capacity other than as the Facility Agent.

SECTION 10.7. Credit Decisions. Each Lender acknowledges that it has, independently of each Agent and each other Lender, and based on such Lender’s review of the financial information of the Borrower, this Agreement, the other Loan Documents (the terms and provisions of which being satisfactory to such Lender) and such other documents, information and investigations as such Lender has deemed appropriate, made its own credit decision to extend its Commitment. Each Lender also acknowledges that it will, independently of each Agent and each other Lender, and based on such other documents, information and investigations as it shall deem appropriate at any time, continue to make its own credit decisions as to exercising or not exercising from time to time any rights and privileges available to it under this Agreement or any other Loan Document.

SECTION 10.8. Copies, etc. Each Agent shall give prompt notice to each Lender of each notice or request required or permitted to be given to such Agent by the Borrower pursuant to the terms of this Agreement (unless concurrently delivered to the Lenders by the Borrower). Each Agent will distribute to each Lender each document or instrument received for its account and copies of all other communications received by such Agent from the Borrower for distribution to the Lenders by such Agent in accordance with the terms of this Agreement.

SECTION 10.9. The Agents’ Rights. Each Agent may (i) assume that all representations or warranties made or deemed repeated by the Borrower in or pursuant to this Agreement or any Loan Document are true and complete, unless, in its capacity as the Facility Agent, it has acquired actual knowledge to the contrary, (ii) assume that no Default has occurred unless, in its capacity as an Agent, it has acquired actual knowledge to the contrary, (iii) rely on any document or notice believed by it to be genuine, (iv) rely as to legal or other professional matters on opinions and statements of any legal or other professional advisers selected or approved by it, (v) rely as to any factual matters which might reasonably be expected to be within the knowledge of the Borrower on a certificate signed by or on behalf of the Borrower and (vi) refrain from exercising any right, power, discretion or remedy unless and until instructed to exercise that right, power, discretion or remedy and as to the manner of its exercise by the Lenders (or, where applicable, by the Required Lenders) and unless and until such Agent has received from the Lenders any payment which such Agent may require on account of, or any security which such Agent may require for,
any costs, claims, expenses (including legal and other professional fees) and liabilities which it considers it may incur or sustain in complying with those instructions.

SECTION 10.10. **The Facility Agent’s Duties.** The Facility Agent shall (i) if requested in writing to do so by a Lender, make enquiry and advise the Lenders as to the performance or observance of any of the provisions of this Agreement or any Loan Document by the Borrower or as to the existence of an Event of Default and (ii) inform the Lenders promptly of any Event of Default of which the Facility Agent has actual knowledge.

The Facility Agent shall not be deemed to have actual knowledge of the falsehood or incompleteness of any representation or warranty made or deemed repeated by the Borrower or actual knowledge of the occurrence of any Default unless a Lender or the Borrower shall have given written notice thereof to the Facility Agent in its capacity as the Facility Agent. Any information acquired by the Facility Agent other than specifically in its capacity as the Facility Agent shall not be deemed to be information acquired by the Facility Agent in its capacity as the Facility Agent.

The Facility Agent may, without any liability to account to the Lenders, generally engage in any kind of banking or trust business with the Borrower or with the Borrower’s subsidiaries or associated companies or with a Lender as if it were not the Facility Agent.

SECTION 10.11. **Employment of Agents.** In performing its duties and exercising its rights, powers, discretions and remedies under or pursuant to this Agreement or the Loan Documents, each Agent shall be entitled to employ and pay agents to do anything which such Agent is empowered to do under or pursuant to this Agreement or the Loan Documents (including the receipt of money and documents and the payment of money); provided that, unless otherwise provided herein, including without limitation Section 11.3, the employment of such agents shall be for such Agent’s account, and to act or refrain from taking action in reliance on the opinion of, or advice or information obtained from, any lawyer, banker, broker, accountant, valuer or any other person believed by such Agent in good faith to be competent to give such opinion, advice or information.

SECTION 10.12. **Distribution of Payments.** The Facility Agent shall pay promptly to the order of each Lender that Lender’s Percentage Share of every sum of money received by the Facility Agent pursuant to this Agreement or the Loan Documents (with the exception of any amounts payable pursuant to the Fee Letter and any amounts which, by the terms of this Agreement or the Loan Documents, are paid to the Facility Agent for the account of the Facility Agent alone or specifically for the account of one or more Lenders) and until so paid such amount shall be held by the Facility Agent on trust absolutely for that Lender.

SECTION 10.13. **Reimbursement.** The Facility Agent shall have no liability to pay any sum to a Lender until it has itself received payment of that sum. If, however, the Facility Agent does pay any sum to a Lender on account of any amount prospectively due to that Lender pursuant to Section 10.12 before it has itself received payment of that amount, and the Facility Agent does not in fact receive payment within two (2) Business Days after the date on which that payment was required to be made by the terms of this Agreement or the Loan Documents, that Lender will, on demand by the Facility Agent, refund to the Facility Agent an amount equal to the amount received by it, together with an amount sufficient to reimburse the Facility Agent for any amount which the
Facility Agent may certify that it has been required to pay by way of interest on money borrowed to fund the amount in question during the period beginning on the date on which that amount was required to be paid by the terms of this Agreement or the Loan Documents and ending on the date on which the Facility Agent receives reimbursement.

SECTION 10.14. Instructions. Where an Agent is authorized or directed to act or refrain from acting in accordance with the instructions of the Lenders or of the Required Lenders each of the Lenders shall provide such Agent with instructions within three (3) Business Days of such Agent’s request (which request may be made orally or in writing). If a Lender does not provide such Agent with instructions within that period, that Lender shall be bound by the decision of such Agent. Nothing in this Section 10.14 shall limit the right of such Agent to take, or refrain from taking, any action without obtaining the instructions of the Lenders or the Required Lenders if such Agent in its discretion considers it necessary or appropriate to take, or refrain from taking, such action in order to preserve the rights of the Lenders under or in connection with this Agreement or the Loan Documents. In that event, such Agent will notify the Lenders of the action taken by it as soon as reasonably practicable, and the Lenders agree to ratify any action taken by the Facility Agent pursuant to this Section 10.14.

SECTION 10.15. Payments. All amounts payable to a Lender under this Section 10 shall be paid to such account at such bank as that Lender may from time to time direct in writing to the Facility Agent.

SECTION 10.16. “Know your customer” Checks. Each Lender shall promptly upon the request of the Facility Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself) in order for the Facility Agent to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in this Agreement or the Loan Documents.

SECTION 10.17. No Fiduciary Relationship. Except as provided in Section 10.12, no Agent shall have any fiduciary relationship with or be deemed to be a trustee of or for any other person and nothing contained in this Agreement or any Loan Document shall constitute a partnership between any two or more Lenders or between either Agent and any other person.

SECTION 10.18. Illegality. The Agent shall refrain from doing anything which it reasonably believes would be contrary to any law of any jurisdiction (including but not limited to England and Wales, the United States of America or any jurisdiction forming part of it) or any regulation or directive of any agency of such state or jurisdiction or which would or might render it liable to any person and may without liability do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.

ARTICLE XI

MISCELLANEOUS PROVISIONS

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SECTION 11.1. **Waivers, Amendments, etc.** The provisions of this Agreement and of each other Loan Document may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Borrower and the Required Lenders; provided that no such amendment, modification or waiver which would:

a) contravene or be in breach of the terms of the COFACE Insurance Policy or the arrangements with Natixis DAI relating to the CIRR (if the Fixed Rate applies) shall be effective unless consented to by, as applicable, COFACE and/or Natixis DAI;

b) modify any requirement hereunder that any particular action be taken by all the Lenders or by the Required Lenders shall be effective unless consented to by each Lender;

c) modify this Section 11.1 or change the definition of “Required Lenders” shall be made without the consent of each Lender;

d) increase the Commitment of any Lender shall be made without the consent of such Lender;

e) reduce any fees described in Article III payable to any Lender shall be made without the consent of such Lender;

f) extend the Commitment Termination Date of any Lender shall be made without the consent of such Lender;

g) extend the due date for, or reduce the amount of, any scheduled repayment or prepayment of principal or interest on the Loan (or reduce the principal amount of or rate of interest on the Loan) owed to any Lender shall be made without the consent of such Lender; or

h) affect adversely the interests, rights or obligations of the Facility Agent in its capacity as such shall be made without consent of the Facility Agent.

No failure or delay on the part of the Facility Agent or any Lender in exercising any power or right under this Agreement or any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Borrower in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by any the Facility Agent or any Lender under this Agreement or any other Loan Document shall, except as may be otherwise stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval hereunder shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder. The Lenders hereby agree, at any time and from time to time that the Nordea Agreement or the Bank of Nova Scotia Agreement is amended or refinanced, to negotiate in good faith to amend this Agreement to conform any representations, warranties, covenants or events of default in this Agreement to the amendments made to any substantively comparable provisions in the Nordea Agreement or the Bank of Nova Scotia Agreement or any refinancing thereof.
Neither the Borrower’s rights nor its obligations under the Loan Documents shall be changed, directly or indirectly, as a result of any amendment, supplement, modification, variance or novation of the Coface Insurance Policy, except any amendments, supplements, modifications, variances or novations, as the case may be, which occur (i) with the Borrower’s consent, (ii) at the Borrower’s request or (iii) in order to conform to amendments, supplements, modifications, variances or novations effected in respect of the Loan Documents in accordance with their terms.

SECTION 11.2. Notices.

a) All notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing, by facsimile or by electronic mail and addressed, delivered or transmitted to such party at its address, facsimile number or electronic mail address set forth below its signature hereto or set forth in the Lender Assignment Agreement or at such other address, or facsimile number as may be designated by such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid or if properly addressed and sent by pre-paid courier service, shall be deemed given when received; any notice, if transmitted by facsimile, shall be deemed given when transmitted provided it is received in legible form; any notice, if transmitted by electronic mail, shall be deemed given upon acknowledgment of receipt by the recipient.

b) So long as Citibank Europe plc, UK Branch is the Facility Agent, the Borrower may provide to the Facility Agent all information, documents and other materials that it furnishes to the Facility Agent hereunder or any other Loan Document (and any guaranties, security agreements and other agreements relating thereto), including, without limitation, all notices, requests, financial statements, financial and other reports, certificates and other materials, but excluding any such communication that (i) relates to a request for a new, or a conversion of an existing advance or other extension of credit (including any election of an interest rate or interest period relating thereto), (ii) relates to the payment of any principal or other amount due hereunder or any other Loan Document prior to the scheduled date therefor, (iii) provides notice of any Default or Event of Default or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of the Agreement and/or any advance or other extension of credit hereunder (all such non-excluded communications being referred to herein collectively as “Communications”), by transmitting the Communications in an electronic/soft medium in a format acceptable to the Facility Agent to such email address notified by the Facility Agent to the Borrower; provided that any Communication requested pursuant to Section 7.1.1.h) shall be in a format acceptable to the Borrower and the Facility Agent.

c) The Borrower agrees that the Facility Agent may make such items included in the Communications as the Borrower may specifically agree available to the Lenders by posting such notices, at the option of the Borrower, on Intralinks or any similar such platform (the “Platform”) acceptable to the Borrower. Although the primary web portal is secured with a dual firewall and a User ID/Password Authorization System and the
Platform is secured through a single user per deal authorization method whereby each user may access the Platform only on a deal-by-deal basis, the Borrower acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided “as is” and “as available” and (iii) neither the Facility Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Facility Agent or any of its Affiliates in connection with the Platform.

d) The Facility Agent agrees that the receipt of Communications by the Facility Agent at its e-mail address set forth above shall constitute effective delivery of such Communications to the Facility Agent for purposes hereunder and any other Loan Document (and any guaranties, security agreements and other agreements relating thereto).

SECTION 11.3. Payment of Costs and Expenses. The Borrower agrees to pay on demand all reasonable expenses of the Facility Agent (including the reasonable fees and out-of-pocket expenses of counsel to the Facility Agent and of local counsel, if any, who may be retained by counsel to the Facility Agent) in connection with any amendments, waivers, consents, supplements or other modifications to, this Agreement or any other Loan Document as may from time to time hereafter be required, whether or not the transactions contemplated hereby are consummated. The Borrower further agrees to pay, and to save the Facility Agent and the Lenders harmless from all liability for, any stamp, recording, documentary or other similar taxes arising from the execution, delivery or enforcement of this Agreement or the borrowing hereunder or any other Loan Documents. The Borrower also agrees to reimburse the Facility Agent and each Lender upon demand for all reasonable out-of-pocket expenses (including reasonable attorneys’ fees and legal expenses) incurred by the Facility Agent or such Lender in connection with (x) the negotiation of any restructuring or “work-out”, whether or not consummated, of any Obligations and (y) the enforcement of any Obligations.

SECTION 11.4. Indemnification. In consideration of the execution and delivery of this Agreement by each Lender and the extension of the Commitments, the Borrower hereby indemnifies and holds harmless the Facility Agent, each Lender and each of their respective Affiliates and their respective officers, advisors, directors and employees (collectively, the “Indemnified Parties”) from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and disbursements of counsel), joint or several, that may be incurred by or asserted or awarded against any Indemnified Party (including, without limitation, in connection with any investigation, litigation or proceeding or the preparation of a defense in connection therewith), in each case arising out of or in connection with or by reason of this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby or any actual or proposed use of the proceeds of the Loans (collectively, the “Indemnified Liabilities”), except to
the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted primarily from such Indemnified Party’s gross negligence or willful misconduct or the material breach by such Indemnified Party of its obligations under this Agreement, any other Loan Document, the Coface Insurance Policy or Interest Stabilisation Agreement and which breach is not attributable to the Borrower’s own breach of the terms of this Agreement or any other Loan Document or is a claim, damage, loss, liability or expense which would have been compensated under other provisions of the Loan Documents but for any exclusions applicable thereunder.

In the case of an investigation, litigation or other proceeding to which the indemnity in this paragraph applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Borrower, any of its directors, security holders or creditors, an Indemnified Party or any other person or an Indemnified Party is otherwise a party thereto. Each Indemnified Party shall (a) furnish the Borrower with prompt notice of any action, suit or other claim covered by this Section 11.4, (b) not agree to any settlement or compromise of any such action, suit or claim without the Borrower’s prior consent, (c) shall cooperate fully in the Borrower’s defense of any such action, suit or other claim (provided that the Borrower shall reimburse such indemnified party for its reasonable out-of-pocket expenses incurred pursuant hereto) and (d) at the Borrower’s request, permit the Borrower to assume control of the defense of any such claim, other than regulatory, supervisory or similar investigations, provided that (i) the Borrower acknowledges in writing its obligations to indemnify the Indemnified Party in accordance with the terms herein in connection with such claims, (ii) the Borrower shall keep the Indemnified Party fully informed with respect to the conduct of the defense of such claim, (iii) the Borrower shall consult in good faith with the Indemnified Party (from time to time and before taking any material decision) about the conduct of the defense of such claim, (iv) the Borrower shall conduct the defense of such claim properly and diligently taking into account its own interests and those of the Indemnified Party, (v) the Borrower shall employ counsel reasonably acceptable to the Indemnified Party and at the Borrower’s expense, and (vi) the Borrower shall not enter into a settlement with respect to such claim unless either (A) such settlement involves only the payment of a monetary sum, does not include any performance by or an admission of liability or responsibility on the part of the Indemnified Party, and contains a provision unconditionally releasing the Indemnified Party and each other indemnified party from, and holding all such persons harmless, against, all liability in respect of claims by any releasing party or (B) the Indemnified Party provides written consent to such settlement (such consent not to be unreasonably withheld or delayed). Notwithstanding the Borrower’s election to assume the defense of such action, the Indemnified Party shall have the right to employ separate counsel and to participate in the defense of such action and the Borrower shall bear the fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the Borrower to represent the Indemnified Party would present such counsel with an actual or potential conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the Borrower and the Indemnified Party and the Indemnified Party shall have concluded that there may be legal defenses available to it which are different from or additional to those available to the Borrower and determined that it is necessary to employ separate counsel in order to pursue such defenses (in which case the Borrower shall not have the right to assume the defense of such action on the Indemnified Party’s behalf), (iii) the Borrower shall not have employed counsel reasonably acceptable to the Indemnified Party to represent the Indemnified Party within a
reasonable time after notice of the institution of such action, or (iv) the Borrower authorizes the Indemnified Party to employ separate counsel at the Borrower’s expense. The Borrower acknowledges that none of the Indemnified Parties shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Borrower or any of its security holders or creditors for or in connection with the transactions contemplated hereby, except to the extent such liability is determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted primarily from such Indemnified Party’s gross negligence or willful misconduct. In no event, however, shall any Indemnified Party be liable on any theory of liability for any special, indirect, consequential or punitive damages (including, without limitation, any loss of profits, business or anticipated savings). If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

SECTION 11.5. Survival. The obligations of the Borrower under Sections 4.3, 4.4, 4.5, 4.6, 4.7, 11.3 and 11.4 and the obligations of the Lenders under Section 10.1, shall in each case survive any termination of this Agreement and the payment in full of all Obligations. The representations and warranties made by the Borrower in this Agreement and in each other Loan Document shall survive the execution and delivery of this Agreement and each such other Loan Document.

SECTION 11.6. Severability. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 11.7. Headings. The various headings of this Agreement and of each other Loan Document are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or such other Loan Document or any provisions hereof or thereof.

SECTION 11.8. Execution in Counterparts, Effectiveness, etc. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement. This Agreement, as a novated and amended Agreement, shall become effective upon the occurrence of the Novation Effective Time under, and as defined in, the Novation Agreement.

SECTION 11.9. Third Party Rights. Notwithstanding the provisions of the Contracts (Rights of Third Parties) Act 1999, no term of this Agreement is enforceable by a person who is not a party to it with the exception of Coface and Natixis.

SECTION 11.10. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided that:
a) except to the extent permitted under Section 7.2.6, the Borrower may not assign or transfer its rights or obligations hereunder without the prior written consent of the Facility Agent, each Lender and Coface; and

b) the rights of sale, assignment and transfer of the Lenders are subject to Section 11.11.

SECTION 11.11. Sale and Transfer of the Loan; Participations in the Loan. Each Lender may assign its Percentage or portion of the Loan to one or more other Persons (a “New Lender”), or sell participations in its Percentage or portion of the Loan to one or more other Persons; provided that, in the case of assignments where the Fixed Rate applies, such New Lender enters into an Interest Stabilisation Agreement.

SECTION 11.11.1. Assignments

(i) Any Lender with the written consents of the Borrower and the Facility Agent (which consents shall not be unreasonably delayed or withheld and which consent, in the case of the Borrower, shall be deemed to have been given in the absence of a written notice delivered by the Borrower to the Facility Agent, on or before the fifth Business Day after receipt by the Borrower of such Lender’s request for consent, stating, in reasonable detail, the reasons why the Borrower proposes to withhold such consent) may at any time (and from time to time) assign or transfer to one or more commercial banks or other financial institutions all or any fraction of such Lender’s portion of the Loan.

(ii) Any Lender, with notice to the Borrower and the Facility Agent, and, notwithstanding the foregoing clauses (i) and (ii), without the consent of the Borrower, or the Facility Agent may assign or transfer (A) to any of its Affiliates or (B) following the occurrence and during the continuance of an Event of Default under Sections 8.1.1, 8.1.4(a) or 8.1.5, to any other Person, in each case, all or any fraction of such Lender’s portion of the Loan.

(iii) Any Lender may (notwithstanding the foregoing clauses, and without notice to, or consent from, the Borrower or the Facility Agent) assign or charge all or any fraction of its portion of the Loan to any federal reserve or central bank as collateral security in connection with the extension of credit or support by such federal reserve or central bank to such Lender.

(iv) No Lender may (notwithstanding the foregoing clauses) assign or transfer any of its rights under this Agreement unless it has given prior written notification of the transfer to Coface and (if the Loan is accruing interest at the Fixed Rate) Natixis DAI and has obtained a prior written consent from Coface and (where relevant) Natixis DAI and any Assignee Lender (other than Coface) is, if the Fixed Rate applies, eligible to benefit from the CIRR stabilisation. Any assignment or transfer shall comply with the terms of the Coface Insurance Policy.

(v) Nothing in this Section 11.11.1 shall prejudice the right of the Lender to assign its rights under this Agreement to Coface, if such assignment is required to be made by that Lender to Coface in accordance with the Coface Insurance Policy.

Each Person described in the foregoing clauses as being the Person to whom such assignment or transfer is to be made, is hereinafter referred to as an “Assignee Lender”. Assignments in a minimum aggregate amount of $25,000,000 (or, if less, all of such Lender’s portion of the Loan and
Commitment) (which assignment or transfer shall be of a constant, and not a varying, percentage of such Lender’s portion of the Loan) are permitted; provided that the Borrower and the Facility Agent shall be entitled to continue to deal solely and directly with such Lender in connection with the interests so assigned or transferred to an Assignee Lender until:

a) written notice of such assignment or transfer, together with payment instructions, addresses and related information with respect to such Assignee Lender, shall have been given to the Borrower and the Facility Agent by such Lender and such Assignee Lender;

b) such Assignee Lender shall have executed and delivered to the Borrower and the Facility Agent a Lender Assignment Agreement, accepted by the Facility Agent and, if the applicable portion of the Loan is a Fixed Rate Loan, any other agreements required by the Facility Agent or Natixis in connection therewith; and

c) the processing fees described below shall have been paid.

From and after the date that the Facility Agent accepts such Lender Assignment Agreement, (x) the Assignee Lender thereunder shall be deemed automatically to have become a party hereto and to the extent that rights and obligations hereunder have been assigned or transferred to such Assignee Lender in connection with such Lender Assignment Agreement, shall have the rights and obligations of a Lender hereunder and under the other Loan Documents, and (y) the assignor Lender, to the extent that rights and obligations hereunder have been assigned or transferred by it, shall be released from its obligations hereunder and under the other Loan Documents, other than any obligations arising prior to the effective date of such assignment. Except to the extent resulting from a subsequent change in law, in no event shall the Borrower be required to pay to any Assignee Lender any amount under Sections 4.2.c), 4.3, 4.4, 4.5, 4.6, and 4.7 that is greater than the amount which it would have been required to pay had no such assignment been made. Such assignor Lender or such Assignee Lender must also pay a processing fee to the Facility Agent upon delivery of any Lender Assignment Agreement in the amount of $5,000 (and shall also reimburse the Facility Agent and Natixis for any reasonable out-of-pocket costs, including reasonable attorneys’ fees and expenses, incurred in connection with the assignment).

SECTION 11.11.2. Participations. Any Lender may at any time sell to one or more commercial banks or other financial institutions (each of such commercial banks and other financial institutions being herein called a “Participant”) participating interests in its Loan; provided that:

a) no participation contemplated in this Section 11.11.2 shall relieve such Lender from its obligations hereunder;

b) such Lender shall remain solely responsible for the performance of its obligations hereunder;

c) the Borrower and the Facility Agent shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement and each of the other Loan Documents;
d) no Participant, unless such Participant is an Affiliate of such Lender, shall be entitled to require such Lender to take or refrain from taking any action hereunder or under any other Loan Document, except that such Lender may agree with any Participant that such Lender will not, without such Participant’s consent, take any actions of the type described in clauses (b) through (f) of Section 11.1:

e) the Borrower shall not be required to pay any amount under Sections 4.2,c, 4.3, 4.4, 4.5, 4.6 and 4.7 that is greater than the amount which it would have been required to pay had no participating interest been sold; and

f) each Lender that sells a participation under this Section 11.11.2 shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts of (and stated interest on) each of the Participant’s interest in that Lender’s portion of the Loan, Commitments or other interests hereunder (the “Participant Register”). The entries in the Participant Register shall be conclusive absent manifest error, and such Lender may treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes hereunder.

The Borrower acknowledges and agrees that each Participant, for purposes of Sections 4.2,c, 4.3, 4.4, 4.5, 4.6 and clause (e) of 7.1.1, shall be considered a Lender.

SECTION 11.11.3. Register. The Facility Agent shall maintain at its address referred to in Section 11.2 a copy of each Lender Assignment Agreement delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment(s) of, and principal amount of the Loan owing to, each Lender from time to time (the “Register”). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Facility Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

SECTION 11.12. Other Transactions. Nothing contained herein shall preclude the Facility Agent or any Lender from engaging in any transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Borrower or any of its Affiliates in which the Borrower or such Affiliate is not restricted hereby from engaging with any other Person.


SECTION 11.13.1. Terms of Coface Insurance Policy

a) The Coface Insurance Policy will cover 100% of the Loan.

b) The Coface Premium will equal 2.35% of the aggregate principal amount of the Loan as at the Actual Delivery Date.

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c) If, after the Actual Delivery Date, the Borrower prepays all or part of the Loan in accordance with this Agreement, Coface shall reimburse to the ECA Agent for the account of the Borrower an amount equal to 80% of all or a corresponding proportion of the unexpired portion of the Coface Premium, having regard to the amount of the prepayment and the remaining term of the Loan, such amount to be calculated in accordance with the following formula:

\[ R = P \times \left(1 - \left(\frac{1}{1+2.35\%}\right)\right) \times \left(\frac{N}{12 \times 365}\right) \times 80\% \]

where:

“R” means the amount of the refund;

“P” means the amount of the prepayment;

“N” means the number of days between the effective prepayment date and Final Maturity; and

\( P \times \left(1 - \left(\frac{1}{1+2.35\%}\right)\right) \) corresponds to the share of the financed COFACE Premium corresponding to P.

SECTION 11.13.2. Obligations of the Borrower. Provided that the Coface Insurance Policy complies with Section 11.13.1 and remains in full force and effect, the Borrower shall pay the balance of the Coface Premium calculated in accordance with Section 11.3.1.b) and still owing to Coface on the Actual Delivery Date to Coface on the Actual Delivery Date by directing the Agent in the Loan Request to pay the Additional Advance in respect of the Coface Premium directly to Coface.

SECTION 11.13.3. Obligations of the ECA Agent and the Lenders.

a) Promptly upon receipt of the Coface Insurance Policy from Coface, the ECA Agent shall (subject to any confidentiality undertakings given to Coface by the ECA Agent pursuant to the terms of the Coface Insurance Policy) send a copy thereof to the Borrower.

b) The ECA Agent shall perform such acts or provide such information, which are, acting reasonably, within its power so to perform or so to provide, as required by Coface under the Coface Insurance Policy as necessary to ensure that the Lenders obtain the support of Coface pursuant to the Coface Insurance Policy.

c) Each Lender will co-operate with the ECA Agent, the Facility Agent and each other Lender, and take such action and/or refrain from taking such action as may be reasonably necessary, to ensure that the Coface Insurance Policy and each Interest Stabilisation Agreement continues in full force and effect and shall indemnify and hold harmless each other Lender in the event that the Coface Insurance Policy or such Interest Stabilisation Agreement (as the case may be) does not continue in full force and effect.
due to its gross negligence or willful default or due to a voluntary change in status which results in it no longer being eligible for CIRR interest stabilisation.

d) The ECA Agent shall:

(i) make written requests to Coface seeking a reimbursement of the Coface Premium in the circumstances described in Section 11.13.1.c promptly after the relevant cancellation or prepayment and (subject to any confidentiality undertakings given to Coface by the ECA Agent pursuant to the terms of the Coface Insurance Policy) provide a copy of the request to the Borrower;

(ii) use its reasonable endeavours to maximize the amount of any reimbursement of the Coface Premium to which the ECA Agent is entitled;

(iii) pay to the Borrower (in the same currency as the refund received from Coface) the full amount of any reimbursement of the Coface Premium that the ECA Agent receives from Coface within two (2) Business Days of receipt with same day value; and

(iv) relay the good faith concerns of the Borrower to Coface regarding the amount of any reimbursement to which the ECA Agent is entitled, it being agreed that the ECA Agent’s obligation shall be no greater than simply to pass on to Coface the Borrower’s concerns.

SECTION 11.14. Law and Jurisdiction

SECTION 11.14.1. Governing Law. This Agreement and any non-contractual obligations arising out of or in respect of this Agreement shall in all respects be governed by and interpreted in accordance with English Law.

SECTION 11.14.2. Jurisdiction. For the exclusive benefit of the Facility Agent and the Lenders, the parties to this Agreement irrevocably agree that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and that any proceedings may be brought in those courts. The Borrower irrevocably waives any objection which it may now or in the future have to the laying of the venue of any proceedings in any court referred to in this Section, and any claim that those proceedings have been brought in an inconvenient or inappropriate forum.

SECTION 11.14.3. Alternative Jurisdiction. Nothing contained in this Section shall limit the right of the Facility Agent or the Lenders to commence any proceedings against the Borrower in any other court of competent jurisdiction nor shall the commencement of any proceedings against the Borrower in one or more jurisdictions preclude the commencement of any proceedings in any other jurisdiction, whether concurrently or not.

SECTION 11.14.4. Service of Process. Without prejudice to the right of the Facility Agent or the Lenders to use any other method of service permitted by law, the Borrower
irrevocably agrees that any writ, notice, judgment or other legal process shall be sufficiently served on it if addressed to it and left at or sent by post to RCL Cruises Ltd., presently at Building 3, The Heights – Brooklands, Weybridge, Surrey, KT13 ONY, Attention: General Counsel, and in that event shall be conclusively deemed to have been served at the time of leaving or, if posted, at 9:00 am on the third Business Day after posting by prepaid first class registered post.

SECTION 11.15. Confidentiality. Each of the Facility Agent and the Lenders agrees to maintain and to cause its Affiliates to maintain the confidentiality of all information provided to it by the Borrower or any Subsidiary of the Borrower, or by the Facility Agent on the Borrower’s or such Subsidiary’s behalf, under this Agreement, and neither it nor any of its Affiliates shall use any such information other than in connection with or in enforcement of this Agreement or in connection with other business now or hereafter existing or contemplated with the Borrower or any Subsidiary, except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by it or its Affiliates or their respective directors, officers, employees and agents, or (ii) was or becomes available on a non-confidential basis from a source other than the Borrower or any of its Subsidiaries so long as such source is not, to its knowledge, prohibited from disclosing such information by a legal, contractual or fiduciary obligation to the Borrower or any of its Affiliates; provided, however, that it may disclose such information (A) at the request or pursuant to any requirement of any self-regulatory body, governmental body, agency or official to which the Facility Agent, any Lender or any of its Affiliates is subject or in connection with an examination of the Facility Agent, such Lender or any of their respective Affiliates by any such authority or body, including without limitation the Republic of France and any French Authority; (B) pursuant to subpoena or other court process; (C) when required to do so in accordance with the provisions of any applicable requirement of law; (D) to the extent reasonably required in connection with any litigation or proceeding to which the Facility Agent, any Lender or their respective Affiliates may be party; (E) to the extent reasonably required in connection with the exercise of any remedy hereunder; (F) to the Facility Agent or such Lender’s independent auditors, counsel, and any other professional advisors of the Facility Agent or such Lender who are advised of the confidentiality of such information; (G) to any participant or assignee, provided that such Person agrees to keep such information confidential to the same extent required of the Facility Agent and the Lenders hereunder; (H) as to the Facility Agent, any Lender or their respective Affiliates, as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Borrower or any Subsidiary is party with the Facility Agent, such Lender or such Affiliate; (I) to its Affiliates and its Affiliates’ directors, officers, employees, professional advisors and agents, provided that each such Affiliate, director, officer, employee, professional advisor or agent shall keep such information confidential to the same extent required of the Facility Agent and the Lenders hereunder; (J) to any other party to the Agreement and (K) to the French Authorities and any Person to whom information is required to be disclosed by the French Authorities. Each of the Facility Agent and the Lenders shall be responsible for any breach of this Section 11.15 by any of its Affiliates or any of its or its Affiliates’ directors, officers, employees, professional advisors and agents.

SECTION 11.16. French Authority Requirements. The Borrower acknowledges that:
a) the Republic of France and any French Authority or any authorised representatives specified by these bodies shall be authorised at any time to inspect and make or demand copies of the records, accounts, documents and other deeds of any or all of the Lenders relating to this Agreement;

b) in the course of its activity as the Facility Agent, the Facility Agent may:

   (i) provide the Republic of France and any French Authority with information concerning the transactions to be handled by it under this Agreement; and

   (ii) disclose information concerning the subsidized transaction contemplated by this Agreement in the context of internationally agreed consultation/notification proceedings and statutory specifications, including information received from the Lenders relating to this Agreement.

SECTION 11.17. Waiver of immunity. To the extent that the Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its assets, the Borrower hereby irrevocably waives such immunity in respect of its obligations under this Agreement and the other Loan Documents.

IN WITNESS WHEREOF, the parties hereto have caused this Hull No. B34 Credit Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

ROYAL CARIBBEAN CRUISES LTD.

By _________________________
Name:
Title:
CITIBANK N.A., LONDON BRANCH as ECA Agent and a Lender

Commitment
9% of the Maximum Loan Amount

By
Name:
Title:
Banco Santander, S.A. as Lender

Commitment
14% of the Maximum Loan Amount

By
Name:
Title:

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THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. as Lender

Commitment
7% of the Maximum Loan Amount

By
Name:
Title:

69
HSBC FRANCE as Lender

Commitment

28% of the Maximum Loan Amount

By

Name:

Title:

70
SKANDINAVISKA ENSKILDA BANKEN AB (PUBL) as Lender

Commitment
7% of the Maximum Loan Amount

By
Name:
Title:
Commitment
14% of the Maximum Loan Amount

By
Name:
Title:
SUMITOMO MITSUI BANKING CORPORATION EUROPE LIMITED
as Lender

Commitment
20% of the Maximum Loan Amount

By
Name:
Title:

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CITIBANK EUROPE PLC, UK BRANCH
as Facility Agent

By
Name:
Title:
Royal Caribbean Cruises Ltd.
2008 Equity Incentive Plan
Amended and Restated as of May 20, 2016

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Section 1. Purpose and Effectiveness

(A) The purpose of this 2008 Equity Incentive Plan, as amended and restated (the “Plan”), is to promote the success of Royal Caribbean Cruises Ltd., a Liberian corporation (the “Company”), by providing a method whereby employees and directors of the Company and its Affiliates may be encouraged to increase their proprietary interest in the Company’s business. By offering incentive compensation opportunities that are based on the Company’s common stock, the Plan will motivate Participants to achieve long-range goals, further identify their interests with those of the Company’s other shareholders, and promote the long-term financial interest of the Company. The Plan is further intended to aid in attracting and retaining persons of exceptional ability and leadership qualities to become officers, employees, and directors of the Company and its Affiliates.

(B) The Plan, as set forth herein, is effective as of the Effective Date (as defined in Section 11) and is an amendment and restatement of the Royal Caribbean Cruises Ltd. 2008 Equity Incentive Plan, as amended, which was adopted as of March 7, 2008 and approved by stockholders on May 13, 2008 (the “2008 Plan”). Awards granted to Participants under the 2008 Plan prior to the Effective Date shall be treated in accordance with the terms and conditions of the 2008 Plan as in effect prior to the Effective Date.

(C) No Awards may be granted under the Plan following the 2026 annual meeting of the Company’s shareholders.
Section 2. Definitions and Rules of Construction

(A) Defined Terms. Capitalized terms not defined elsewhere in the Plan shall have the following meanings (whether used in the singular or plural):

(i) “Affiliate” means any business entity, regardless of whether organized as a corporation, limited liability company, partnership or any other legal form, in which the Company has (i) an ownership of 50% or greater, or (ii) an entity with respect to which the Company possesses the power, directly or indirectly, to direct or cause the direction of the management and policies of that entity, whether through the Company’s ownership of voting securities, by contract or otherwise.

(ii) “Agreement” means a written instrument (including an electronic instrument), which need not be executed by the Participant, that sets out the terms of the grant of an Award, as any such Agreement may be supplemented or amended from time to time.

(iii) “Award” means any award or benefit granted under the Plan, as further defined in Section 5(A) of the Plan.

(iv) “Beneficiary” means the individual(s) designated by the Participant to succeed to his/her rights in all Awards granted to him/her under the Plan in the eventuality of his/her death or Disability.

(v) “Board” means the Board of Directors of the Company.

(vi) “Cause” shall mean (1) if such term is defined in an employment agreement between the Participant and the Company or Affiliate, as such term is defined therein or (2) (a) an act of material dishonesty, including, without limitation, fraud, misappropriation, embezzlement, financial misrepresentation or other similar behavior, (b) conviction of, or the entry of a plea of guilty or nolo contendere to, the commission of a felony; (c) an action or failure to act that demonstrates a conflict of interest in which the person acts for his or her own benefit to the detriment of the Company; (d) an action or failure to act that constitutes a material breach of the person’s duties to the Company; or (e) the failure to follow the lawful directives of the Company provided that those directives are consistent with the person’s duties to the Company.

(vii) “Change of Control” shall mean:

(1) the acquisition by any individual, entity or group of beneficial ownership (as such term is defined in Rule 13d-3 promulgated under the Exchange Act) of more than 50% of the then outstanding voting securities of the Company entitled to vote generally in the election of Directors (the “Voting Securities”);

(2) during any period of 24 consecutive months, a majority of the Board shall no longer be composed of individuals (a) who were members of the Board on the first day of such period, or (b) whose election or
nomination to the Board were approved by a vote of at least a majority of the members of the Board who were members of the Board on the first day of such period, or (c) whose election or nomination to the Board was approved by a vote of at least a majority of the members of the Board referred to in the foregoing subclauses (a) and (b);

(3) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”) unless, following such Business Combination (a) the beneficial owners of the Voting Securities of the Company immediately prior to the Business Combination beneficially own more than 50% of the combined voting power of the voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination, and (b) at least a majority of the board of directors of the corporation resulting from such Business Combination were members of the Company’s Board at the time of the action of the Company’s Board providing for such Business Combination;

(4) consummation of a reorganization, merger or consolidation with another corporation or business entity not already under common control with the Company, or the acquisition of stock or assets of such other corporation or business entity, if the market capitalization of the other corporation or entity, or the stock or assets acquired, is equal to or greater than the Company’s market capitalization immediately prior to the closing of such transaction; or

(5) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(viii) “Code” means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Code section shall include any successor section.

(ix) “Committee” means the Compensation Committee of the Board.

(x) “Company” means Royal Caribbean Cruises Ltd., a Liberian corporation and any successor entity.

(xi) “Date of Grant” means the date on which the Committee takes the corporate actions necessary to fix the major terms of an Award to a specified Eligible Individual, including, in the case of an Option, the number of Shares subject to the Option and the applicable Exercise Price.

(xii) “Director” means a duly elected or appointed member of the Board or the Board of Directors of an Affiliate.

(xiii) “Disability” means, unless otherwise provided in an Award Agreement, a disability that would entitle a Participant to payment of monthly disability payments under any Company disability plan or as otherwise determined
by the Committee; provided, a disability shall not be considered a Disability with respect to any 409A Covered Award (as defined in Section 10(I)) that provides for a payment upon Disability unless such disability also constitutes a “disability” as defined in Treasury Regulation section 1.409A-3(i)(4) or a successor provision; further provided, that with respect to an Incentive Stock Option, disability shall mean a permanent and total disability within the meaning of Section 22(e)(3) of the Code.

(xiv) “Eligible Individual” means an Employee or Director who is described in Section 3(A) of the Plan.

(xv) “Employee” means an individual who is employed by the Company or any Affiliate.

(xiv) “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Exchange Act section shall include any successor section.

(xv) “Executive Officer” means an executive officer of the Company as defined in Rule 3b-7 under the Exchange Act, provided that, if the Board has designated the executive officers of the Company for purposes of reporting under the Exchange Act, the designation by the Board shall be conclusive for purposes of the Plan.

(xvi) “Exercise Price” means the price that must be paid by an Optionee upon exercise of an Option to purchase a share of Stock.

(xvii) “Fair Market Value” of a Share of Stock as of any date means the mean between the highest and lowest reported sale prices of the Stock (i) on the date on the principal exchange or market on which the Stock is then listed or admitted to trading, or (ii) if the day is not a date on which such exchange or market is open, the last preceding date on which there was a sale of such Stock on such exchange or market, or (iii) as otherwise determined by the Committee, in good faith and in a manner consistent with Section 409A of the Code, if the Stock is not listed on an exchange.

(xviii) “Good Reason” shall mean (i) if such term is defined in an employment agreement between the Participant and the Company or Affiliate, as such term is defined therein or (ii) (a) the assignment to the person without the person’s consent of any duties materially inconsistent with the person’s position (including status, offices and titles), authority, duties or responsibilities as they existed prior to the Change of Control; (b) any action by the Company which results in a material diminution in the person’s position, authority, duties, responsibilities, compensation or benefits as they existed prior to the Change of Control without the person’s consent; or (c) the Company requiring that the person relocate his or her principal business office more than 100 miles from the location existing prior to the Change of Control without the person’s consent.
(xix)  “Option” means a right to purchase from the Company a stated number of Shares at an Exercise Price and for a period of time established by the Committee.

(xx)  “Optionee” means an Eligible Individual who has received an Option under this Plan, for the period of time during which such Option is held in whole or in part.

(xxii) “Option Shares” means, with respect to any Option granted under this Plan, the Stock that may be acquired upon the exercise of such Option.

(xxii) “Non-Employee Director” means a Director who is not an Employee.

(xxiii) “Participant” means an Eligible Individual who has received an Award under this Plan.

(xxiv) “Settlement Date” means the date on which Stock, cash, cash equivalents, or any combination thereof are transferred by the Company to a Participant with respect to, and in settlement of, a prior contractual commitment made by the Company to such Participant under the Plan in the form of Stock Units or Stock Appreciation Rights, or the net settlement of an Option.

(xxv) “Shares” or “Stock” mean shares of the common stock of the Company, par value $.01, subject to any adjustments made under Section 7 of the Plan or by operation of law.

(xxvi) “Subsidiary” of the Company means any present or future subsidiary (as that term is defined in Section 424(f) of the Code) of the Company. An entity shall be deemed a subsidiary of the Company for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained.

(xxvii) “Substitute Awards” shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.

(xxviii) “Termination of Service”, “Terminate” or “Termination” occurs when a Participant ceases to be an Employee or a Director of the Company and its Affiliates, as the case may be, for any reason. With respect to any Section 409A Covered Award, a Participant’s Termination of Service means a Participant’s “separation from service” (as such term is defined and used in Section 409A of the Code).

(xxix) “Vest”, “Vested”, and “Vesting” means, with respect to any portion of an Award, that the Award will not be forfeited by the Participant pursuant to the provisions of this Plan in the event the Participant Terminates Service with the Company or any Affiliate; provided, however, that in the event the Award is based on the achievement of individual, divisional, corporate or other goals, the “Vesting” of the Award shall occur upon the later of (x) the date such Award is no
longer forfeitable in the event the Participant Terminates Service with the Company or any Affiliate and (y) the date that achievement of the applicable goals is determined by the Committee.

(xxx) “Vesting Date” with respect to any Award granted hereunder means the date on which such Award becomes Vested, as designated in or determined in accordance with the Plan and with the Agreement with respect to such Award. If more than one Vesting Date is designated for an Award, reference in the Plan to a Vesting Date in respect of such Award shall be deemed to refer to each part of such Award and the Vesting Date for such part.

(B) Rules of Construction. Where the context permits, words in any gender shall include the other gender, words in the singular shall include the plural, and the plural shall include the singular.

Section 3. Eligibility and Participation

(A) The persons who shall be eligible to participate in the Plan and to receive Awards shall be such Employees (including Executive Officers) and Directors, as the Committee, in its sole discretion, shall select. Awards may be made to Eligible Individuals who hold or have held Awards under this Plan or any similar plan or other awards under any other plan of the Company. Holders of Options and other types of Awards granted by a company acquired by the Company or with which the Company combines are eligible for grant of Substitute Awards hereunder. Any member of the Committee shall be eligible to receive Awards while serving on the Committee.

(B) Awards may be granted by the Committee at any time and from time to time to new Participants, or to then Participants, or to a greater or lesser number of Participants, and may include or exclude previous Participants, as the Committee shall determine. All Awards made to members of the Board shall be recommended by the Committee and approved by the full Board. Except as required by this Plan, Awards granted at different times need not contain similar provisions. The Committee’s determinations under the Plan (including without limitation, determinations of which individuals, if any, are to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the agreements evidencing same) need not be uniform and may be made by it selectively among individuals who receive, or are eligible to receive, under the Plan.

Section 4. Stock Subject to Plan

(A) Subject to the following provisions of this Section 4 and to the provisions of Section 7, the maximum number of Shares with respect to which any Awards may be granted, including Awards of Incentive Options as defined in Section 5(A)(i), during the term of the Plan (including Shares previously approved by the Company’s shareholders) shall be 14,000,000. During any calendar year, no one individual (other than a Non-Employee Director) shall be granted, under this Plan, Awards with respect to more than 500,000 Shares. During any calendar year, no one Non-Employee Director shall be granted, under this Plan, Awards with a dollar value, measured as at Date of Grant, exceeding $500,000. Shares underlying Substitute Awards shall not reduce the number of Shares remaining available for issuance hereunder.

(B) During the term of this Plan, the Company will at all times reserve and keep available the number of Shares that shall be sufficient to satisfy the requirements of this Plan. Shares will be
made available from the currently authorized but unissued shares of the Company or from shares currently held or subsequently reacquired by
the Company as treasury shares, including shares purchased in the open market or in private transactions.

(C) The grant of any Award hereunder shall count, equal in number to the Shares represented by such Award, towards the share
maximum indicated in Section 4(A). To the extent that (i) any outstanding Option for any reason expires, is terminated, forfeited or canceled
without having been exercised, or if any other Award is forfeited or otherwise does not result in the delivery of Shares by the Company, and
(ii) any Shares covered by an Award are not delivered because the Award is settled in cash, such Shares shall be deemed to have not been
delivered and shall be restored to the share maximum.

Section 5. Forms and Terms of Awards under the Plan

(A) In General. The Committee may grant any of the following types of Awards, either singly or in combination with other
Awards:

(i) Incentive Stock Options. An incentive stock option (an “Incentive Option”) is any Option that complies with the
requirements of Section 422 of the Code.

(ii) Nonqualified Stock Options. A nonqualified stock option (a “Nonqualified Option”) is any Option that is not an
Incentive Option.

(iii) Stock Appreciation Rights. A Stock Appreciation Right is an Award in the form of a right to receive, upon surrender
of the right, but without other payment an amount based on appreciation in the value of Stock over a base price established in the
Award, at times and upon conditions (which may include a Change of Control) as may be approved by the Committee.

(iv) Stock Awards. Stock awards may be in the form of Shares not subject to any restrictions or limitations imposed by this
Plan (“Bonus Stock”), or of Restricted Stock. “Restricted Stock” is an Award of Shares that is issued to a Participant such that the
Participant is thereupon the legal owner of such Shares with all of the attendant rights and privileges of ownership (unless otherwise
provided in the accompanying Award Agreement), but remains subject to a risk of forfeiture of such ownership back to the Company
for a period of time specified on the Date of Grant. Such forfeiture may be conditioned on the continued performance of services or
on the achievement of individual, divisional, corporate, or other goals. Restricted Stock will also be subject to restrictions on transfer
and such other restrictions on incidents of ownership as may be set forth in the Award Agreement, and for such period of time, as the
Committee may determine.

(v) Stock Unit Awards. A Stock Unit is an Award payable in cash or Stock and represented by a bookkeeping credit, in
which both the number of Shares and the Settlement Date are fixed on the Date of Grant. The value of each Stock Unit equals the Fair
Market Value of a share of Stock, as such value may change up to the date the Stock Unit is settled. Stock Units may be in the form
of Stock Units not subject to any restrictions or limitations imposed by this Plan (“Deferred Stock Units”), or of “Restricted Stock
Units”, in which case, the settlement of the Award may be made contingent, in the sole discretion of the Committee, upon (A) solely
continued service, (B) the achievement of individual, divisional,
corporate, or other goals, and/or (C) other limitations or restrictions. Stock Units are not outstanding shares of Stock and do not entitle a Participant to voting or other rights or dividends with respect to Stock, unless and until actually paid out in the form of Stock. The restrictions and limitations imposed on Restricted Stock Unit Awards may vary among Participants and from year to year, and the Committee may assign varying titles to different forms of Restricted Stock Units.

(B) Provisions Applicable to All Forms of Awards.

(i) Subsequent to the grant of any Award, the Committee may, at any time before the complete expiration of such Award, accelerate the time or times at which such Award may become nontransferable, exercisable and/or settled, in whole or in part.

(ii) To the extent that the Company is required to withhold any Federal, state or other taxes in respect of any compensation income realized by the Participant in respect of Shares acquired pursuant to an Award, or in respect of the exercise, settlement, or vesting of any such Awards, then, except as otherwise agreed between the Company and the Participant prior to the date of the required withholding, the Company shall deduct from either the Shares issuable or any payments of any kind otherwise due to such Participant the aggregate amount of such Federal, state or other taxes required to be so withheld; provided however, that if the Company deducts the Shares issuable, the dollar value of the Shares deducted may not be greater than the minimum amount required under the tax laws. If such payments are insufficient to satisfy such Federal, state or other taxes, then such Participant will be required to pay to the Company, or make other arrangements satisfactory to the Company regarding payment to the Company of, the aggregate amount of any such taxes. All matters with respect to the total amount of taxes to be withheld in respect of any such compensation income shall be determined by the Company in its sole discretion.

(C) Provisions Applicable to Options and Stock Appreciation Rights.

(i) Subject to the limitations of the Plan, the Committee shall designate from time to time those Eligible Individuals to be granted Options, the date when each Option shall be granted, the number of Shares subject to such Option, whether such Option is an Incentive Option or a Nonqualified Option, and the Exercise Price of the Option Shares. Options shall be evidenced by Agreements in such form and containing such terms and provisions not inconsistent with the provisions of the Plan as the Committee may from time to time approve. Each Optionee shall be notified of such grant and a written Agreement shall be delivered by the Company to the Optionee. Subject to the other provisions of the Plan, the same person may receive Incentive Options and Nonqualified Options at the same time and pursuant to the same Agreement, provided that Incentive Options and Nonqualified Options are clearly designated as such.

(ii) Option Agreements may provide that the grant of any Option under the Plan, or that Stock acquired pursuant to the exercise of any Option, shall be subject to such other conditions (whether or not applicable to an Option or Stock received by any other Optionee) as the Committee determines appropriate, including, without limitation, provisions conditioning exercise upon the occurrence of certain events or performance or the passage of time, provisions to assist the Optionee in financing the purchase of Stock through the exercise of Options, provisions for forfeiture, restrictions on resale or other
disposition of shares acquired pursuant to the exercise of Options, provisions conditioning the grant of the Option or future Options upon the Optionee retaining ownership of Shares acquired upon exercise for a stated period of time, and provisions to comply with federal and state securities laws and federal and state income tax and other payroll tax withholding requirements.

(iii) The price at which Shares may be purchased upon exercise of an Option shall be fixed by the Committee on the Date of Grant and may not be less than 100% of the Fair Market Value of the Option Shares on the Date of Grant or, if specified by the Committee, on a date subsequent to the Date of Grant that is identified as the effective date of the Award. All Options shall specify the term during which the Option may be exercised, which shall be in all cases ten years or less.

(iv) No Option may be exercised in part or in full before the date(s) therefore set forth in its terms, other than in the event of acceleration as provided in Section 5(B)(i) or Section 7. No Option may be exercised after the Option expires by its terms as set forth in the applicable Agreement. In the case of an Option that is exercisable in installments, installments that are exercisable and not exercised shall remain exercisable during the term of the Option. The grant of an Option shall impose no obligation on the Optionee to exercise such Option.

(v) No Option shall be transferable other than by will or the laws of descent and distribution, other than pursuant to an order issued by a court of competent jurisdiction in connection with the divorce or bankruptcy of the Participant. During the lifetime of the Optionee, the Option shall be exercisable only by such Optionee or his/her court-appointed legal representative or transferee. Notwithstanding anything herein to the contrary, the Committee may, in its sole discretion, provide in the applicable Agreement evidencing a Nonqualified Option that the Optionee may transfer, assign or otherwise dispose of an option (i) to his/her spouse, parents, siblings and lineal descendants, (ii) to a trust for the benefit of the Optionee and any of the foregoing, or (iii) to any corporation or partnership controlled by the Optionee, subject to such conditions or limitations as the Committee may establish to ensure compliance with any rule promulgated pursuant to the Exchange Act, or for other purposes. The terms applicable to the assigned Option shall be the same as those in effect for the Option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Company may deem appropriate.

(vi) If an Optionee has a Termination of Service by reason of his/her death or Disability prior to the expiration date of his/her Option, or if an Optionee dies subsequent to his/her Termination of Service on account of such Disability but prior to the expiration date of his/her Option, and in either case all or some portion of such Option is Vested and exercisable pursuant to the terms of this Plan and of the Option Agreement, such Option may be exercised by the Optionee or by the Optionee’s estate, personal representative or beneficiary, as the case may be, at any time prior to the earlier of (i) one year following the date of the Optionee’s death or disability, or (ii) the expiration date of such Option.

(vii) An Optionee or a transferee of an Option shall have no rights as a shareholder with respect to any Share covered by his/her Option until he/she shall have become the holder of record of such Share, and he/she shall not be entitled to any dividends or
distributions or other rights in respect of such Share for which the record date is prior to the date on which he/she shall have become the holder of record thereof.

(viii) Without the consent of the shareholders of the Company, except as provided in Section 7(A) or in connection with the grant of Substitute Awards, the Committee shall have no authority to effect (i) the repricing of any outstanding Options under the Plan, (ii) the cancellation of any outstanding Options under the Plan and the grant in substitution therefor new Options or other Awards, in any case covering the same or different numbers of Shares that has the effect of an indirect repricing, or (iii) cashing out Options that have an Exercise Price greater than the then-Fair Market Value of the Shares.

(ix) The following additional provisions shall be applicable to Incentive Options, but only if, and to the extent, required by section 422 of the Code:

(a) Incentive Options shall be specifically designated as such in the applicable Agreement, and may be granted only to those Eligible Individuals who are both (i) Employees of the Company and/or a Subsidiary, and (ii) citizens or resident aliens of the United States.

(b) To the extent the aggregate Fair Market Value (determined as of the time the Option is granted) of the Stock with respect to which any Incentive Options granted hereunder may be exercisable for the first time by the Optionee in any calendar year (under this Plan or any other compensation plan of the Company or any Subsidiary thereof) exceeds $100,000, such Options shall not be considered Incentive Options.

(c) No Incentive Option may be granted to an individual who, at the time the Option is granted, owns directly, or indirectly within the meaning of Section 424(d) of the Code, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any Subsidiary thereof, unless such Option (i) has an exercise price of at least 110% of the Fair Market Value of the Stock on the Date of Grant of such option; and (ii) cannot be exercised more than five years after the Date of Grant.

(d) The Exercise Price for Incentive Options shall not be less than the Fair Market Value of the Stock on the Date of Grant.

(x) Options that provide for the automatic grant of another Option upon exercise of the original Option (“Reload Options”) may not be granted under the Plan.

(xi) Each of the above provisions with respect to the granting, vesting, transferability, exercise and repurchase of Options, except to the extent they are applicable solely to (i) the actual purchase of stock and payment of consideration or (ii) Incentive Options, shall also apply to the grant of Stock Appreciation Rights by the Committee under the Plan.

(D) Provisions Applicable to Certain Stock Awards and Stock Unit Awards.

(i) Awards of Restricted Stock and Restricted Stock Units shall be subject to the right of the Company to require forfeiture of such Shares or rights by the Participant in the event that conditions specified by the Committee in the applicable Agreement are not satisfied prior to the end of the applicable vesting period established by t
he Committee for such Awards. Conditions for forfeiture (or repurchase) may be based on continuing employment or service or achievement of pre-established individual, divisional, corporate, or other goals.

(ii) A Stock Unit may provide the Participant with the right to receive dividend equivalent payments with respect to Stock subject to the Award (both before and after the Stock subject to the Award is earned, vested, or acquired) (“Dividend Equivalents”), which payments may be either made currently or credited to an account for the Participant, and may be settled in cash or Stock, as determined by the Committee. Any such settlements, and any such crediting of dividend equivalents or reinvestment in shares of Stock, may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in Stock equivalents. A Participant may not accrue Dividend Equivalents during any calendar year in excess of $500,000.

(iii) Shares represented by Restricted Stock Awards may not be sold, assigned, transferred, pledged or otherwise encumbered, except as permitted by the Committee, during the applicable vesting period. Such Shares shall be evidenced in such manner as the Committee may determine. Any certificates issued in respect of such Shares shall be registered in the name of the Participant and, unless otherwise determined by the Committee, deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). To the extent Shares of a Restricted Stock Award become nonforfeitable, the Company (or such designee) shall deliver such certificates to the Participant or, if the Participant has died, to the Participant’s Beneficiary. Each certificate evidencing stock subject to Restricted Stock Awards shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Award. Any attempt to dispose of stock in contravention of such terms, conditions and restrictions shall be ineffective. During the restriction period and unless otherwise provided in the Agreement evidencing the Award, the Participant shall have all the rights of a shareholder for all such Shares, including the right to vote and the right to receive dividends thereon as paid.

(E) Provisions Applicable to Stock Units. The Committee may provide in the terms of a Stock Unit for the elective deferral by the Participant of the receipt of the actual payment of cash or Stock otherwise due and payable to the Participant pursuant to such Award. In providing for such deferral, the Committee shall limit eligibility, and shall specify such rules regarding the timing and other features of the deferral, so as to comply with all applicable sections of ERISA, sections 409A and 457A of the Code, and the constructive receipt and similar doctrines of the internal revenue laws.

(F) Provisions Applicable to Qualified Performance-Based Compensation.

(i) Designation as Qualified Performance-Based Compensation. The Committee may (but is not required to) structure the terms and provisions of Stock Awards, Stock Units, and Dividend Equivalents granted to an Employee so that such Awards may constitute “qualified performance-based compensation” under section 162(m) of the Code, in which case the provisions of this paragraph (F) shall apply. The Committee may also grant Options or Stock Appreciation Rights under which the exercisability of the Options or Stock Appreciation Rights is subject to the achievement of performance goals as described in this paragraph (F) or otherwise.
(ii) **Performance Goals.** When Awards are made under this paragraph (F), the Committee shall establish in writing (a) the objective performance goals that must be met, (b) the period during which performance will be measured, (c) the maximum amounts that may be paid if the performance goals are met, and (d) any other conditions that the Committee deems appropriate and consistent with the requirements of section 162(m) of the Code for the Awards to qualify as “qualified performance-based compensation.” Under 162(m) of the Code the performance goals shall satisfy the requirements for “qualified performance-based compensation,” including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the performance goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the performance goals have been met. The Committee shall not have discretion to increase the amount of compensation that is payable, but may reduce the amount of compensation that is payable, pursuant to Awards identified by the Committee as “qualified performance-based compensation.”

(iii) **Criteria Used for Objective Performance Goals.** The Committee shall use objectively determinable performance goals based on one or more of the following criteria: stock price, earnings per share, price-earnings multiples, net earnings, operating earnings, revenue, number of days sales outstanding in accounts receivable, productivity, margin, cost management, EBITDA (earnings before interest, taxes, depreciation and amortization), net capital employed, return on assets, shareholder return, return on equity, return on invested capital, growth in assets, unit volume, occupancy rates, sales, cash flow, market share, performance relative to a comparison group designated by the Committee, or strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, customer growth, customer satisfaction, geographic business expansion, acquisition or investment goals, cost targets or goals relating to investments, acquisitions or divestitures. The performance goals may relate to one or more business units or the performance of the Company as a whole, or any combination of the foregoing. Performance goals need not be uniform as among Participants. Such goals may be determined on an absolute or relative basis or as compared to specific competitor(s), peers or indices. The Committee may exclude the impact of any event or occurrence which the Committee determines should appropriately be excluded, including without limitations (a) restructurings, discontinued operations, extraordinary items and other unusual or non-recurring changes (b) an event either not directly related to the operations of the Company or not within the reasonable control of the Company’s management or (c) a change in applicable accounting standards.

(iv) **Timing of Establishment of Goals.** The Committee shall establish the performance goals in writing either before the beginning of the performance period or during a period ending no later than the earlier of (i) 90 days after the beginning of the performance period or (ii) the date on which 25% of the performance period has been completed, or such other date as may be required or permitted under applicable regulations under section 162(m) of the Code.

(v) **Certification of Results.** Prior to any payment of an Award intended to qualify as performance-based compensation, the Committee shall certify the performance results for the performance period specified in the Award after the performance period ends. The Committee shall determine the amount, if any, to be paid pursuant to each Award.
based on the achievement of the performance goals and the satisfaction of all other terms of the Award.

(vi) Maximum Awards Payable. Notwithstanding any provision contained in this Plan to the contrary, the maximum amount of “qualified performance-based compensation” payable to any one Participant under the Plan for a given performance period is 500,000 shares, or in the event such performance-based compensation is paid in cash, the equivalent cash value thereof on the last day of the performance period to which such Award relates.

Section 6. Exercises of Stock Options

(A) A Vested Option may be exercised in whole or in part at any time during the term of such Option as provided in the Agreement; provided, however, that (i) unless otherwise provided by Section 5(C)(vi) or Section 7(E), an Option may be exercised only while the Optionee is an Eligible Individual, and (ii) each partial exercise shall be for whole Shares only. Unless otherwise provided by Section 5(B)(i), Section 7 or in the Agreement, that portion of an Option that has not become Vested as of the date the Optionee ceases to be an Eligible Individual shall lapse and be null and void.

(B) An Option may be exercised to the extent of any or all full shares of Stock as to which the Option has become exercisable, by giving written or electronic notice of such exercise to the Company or the brokerage firm or firms approved by the Company to facilitate exercises and sales under this Plan, in accordance with the terms of the Option by the person entitled to exercise the Option in accordance with the procedures established by the Committee, its delegate and/or the brokerage firm approved by the Company, as applicable, and delivering full payment for the Shares with respect to which the Option is being exercised to the Company or the brokerage firm or firms, as applicable, along with full payment of all amounts which, under federal, state or other law, the Company is required to withhold upon exercise of the Option or adequate provision therefor.

(C) Except as noted in this paragraph, upon receiving notice of exercise and payment as set forth in Section 6(B) above, the Company will cause the Shares to be delivered to the Optionee (by delivery of a share certificate, electronic transfer or other lawful means), as soon as practicable, and shall evidence such transfer on the books and records of the Company. The Shares issued and delivered upon the exercise of an Option shall be fully paid and non-assessable. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(D) The method or methods of payment of the purchase price for the Shares to be purchased upon exercise of an Option and of any amounts required for tax withholding purposes shall be determined by the Company and may consist of (i) cash, (ii) check, (iii) the tendering, by either actual delivery or by attestation, of whole shares of Stock, valued at Fair Market Value as of the day of exercise, (iv) through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide irrevocable written instructions to (a) a brokerage firm acceptable to the Company to effect the immediate sale of the purchased shares and remit to the
Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable Federal, state and other employment taxes required to be withheld by the Company by reason of such exercise, and (b) the Company to deliver the certificates for the purchased Shares directly to such brokerage firm in order to complete the sale. The permitted method or methods of payment of the amounts payable upon exercise of an Option may be transacted by the Optionee or by a broker designated by him/her (other than a payment described in clause (iv) above), and, if other than in cash, shall be set forth in the applicable agreement or (v) such other means as may be approved by the Committee from time to time, including without limitation, by the withholding from the number of Shares otherwise issuable upon exercise of the Option that number of shares having an aggregate Fair Market Value on the date of exercise equal to the Exercise Price.

(E) Each Agreement shall require that an Optionee pay to the Company, at the time of exercise of a Nonqualified Option, such amount as the Company deems necessary to satisfy the Company’s obligation to withhold federal or state income or other applicable taxes incurred by reason of the exercise or the transfer of Shares thereupon. To the extent permitted by the Agreement, an Optionee may satisfy such withholding requirements by having the Company withhold from the number of Shares otherwise issuable upon exercise of the Option that number of shares having an aggregate Fair Market Value on the date of exercise equal to the minimum amount required by law to be withheld.

Section 7. Events Affecting Plan Reserve or Plan Awards

(A) If (a) the Company subdivides its outstanding shares of Stock into a greater number of shares of Stock (including, without limitation, by stock dividend or stock split) or combines its outstanding shares of Stock into a smaller number of shares (by reverse stock split, reclassification or otherwise), or (b) any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase Stock, or other similar corporate event (including mergers or consolidations) affects the Stock such that an adjustment is required in order to preserve the benefits or potential benefits intended to be made available under this Plan, then the Committee shall, in such manner as it may deem equitable and appropriate, make such adjustments to any or all of (i) the number of shares of Stock reserved for the Plan, (ii) the number of shares subject to outstanding Options and other Awards, (iii) the Exercise Price with respect to outstanding Options, and any other adjustment that the Committee determines to be equitable; provided, however, that the number of shares subject to any Option shall always be a whole number. The Committee may provide for a cash payment to any Participant of an Award in connection with any adjustment made pursuant to this Section 7.

(B) Any such adjustment to an Option shall comply with Section 409A and any other applicable provisions of the Code and shall be made without a change to the total Exercise Price applicable to the unexercised portion of the Option (except for any change in the aggregate price resulting from rounding-off of share quantities or prices), and shall be final and binding upon all Participants, the Company, their representatives, and all other interested persons.

(C) In the event of a Change in Control:

(i) With respect to each outstanding Award that is assumed or substituted in connection with the Change in Control, in the event the Participant’s employment or service is
terminated by the Company, its successor or an Affiliate thereof without Cause or by the Participant for Good Reason on or after the effective date of the Change in Control but prior to eighteen (18) months following the Change in Control, then:

1. any unvested or unexercisable portion of any Award carrying a right to exercise shall become fully vested and exercisable; and

2. the restrictions, deferral limitations, payment conditions and forfeiture conditions applicable to an Award granted under the Plan shall lapse and such Awards shall be deemed fully vested and any performance conditions imposed with respect to such Awards shall be deemed to be achieved at the Committee’s then best estimate of actual performance.

(ii) With respect to each outstanding Award that is not assumed or substituted in connection with a Change in Control, immediately upon the occurrence of the Change of Control:

1. if such Award is an Option granted one year or more prior to the Change in Control, any unvested or unexercisable portion of such Award shall become fully vested and exercisable;

2. if such Award is an Option granted less than one year prior to the Change in Control, such Award shall become fully vested and exercisable as to the number of Shares subject to such Option equal to (i) the number of Shares originally subject to such Option, multiplied by (ii) the number of whole months between the Grant Date and the Change in Control, divided by (iii) the number of months between the Grant Date and the date on which all Shares originally subject to such Option would have been fully vested and exercisable; and such Option shall terminate with respect to all remaining Shares subject to such Option.

3. if such Award is not an Option, such Award shall become fully vested and all restrictions, deferral limitations, payment conditions and forfeiture conditions applicable to such Award shall lapse immediately prior to the Change in Control and all Stock Unit Awards shall become immediately payable.

(iii) For purposes of this Section 7(C), an Award shall be considered assumed or substituted if, following the Change in Control, the Award is of substantially comparable value and remains subject to substantially the same terms and conditions that were applicable to the Award immediately prior to the Change in Control except that, if the Award related to shares of Stock, the Award instead confers the right to receive common stock of the acquiring or ultimate parent entity.

(iv) Notwithstanding anything in this Section 7(C) to the contrary, with respect to any Award of Restricted Stock Units granted under this Plan that constitutes deferred compensation within the meaning of Section 409A of the Code, if the Change in Control does not constitute a “change in effective ownership or control” of the Company within the meaning of Section 409A of the Code, Restricted Stock Units shall vest as provided in this Section 7(C), but shall be payable to the Participant in accordance with the payment provisions of the applicable Award Agreement.
(D) If a Participant has a Termination of Service by reason of his/her death or Disability, then notwithstanding any contrary waiting period, installment period or vesting schedule in any Agreement or in the Plan, unless the applicable Agreement provides otherwise, each outstanding Award granted to such Participant shall immediately become Vested and, if an Option, exercisable in full in respect of the aggregate number of shares covered thereby and, if a Stock Unit, promptly settled.

(E) If an Optionee has a Termination of Service for any reason other than his/her death or Disability prior to the expiration date of his/her Option, and all or some portion of such Option is Vested and exercisable pursuant to the terms of this Plan and of the Option Agreement, such Vested portion of the Option may be exercised by the Optionee at any time prior to the earlier of (i) twelve months following the date of the Optionee’s Termination, or (ii) the expiration date of such Option.

(F) The Company may determine whether any given leave of absence constitutes a Termination of Service and, if it does not, whether the time spent on the leave will or will not be counted as vesting credit; provided, however, that for purposes of the Plan (i) a leave of absence, duly authorized in writing by the Company, if the period of such leave does not exceed 90 days, and (ii) a leave of absence in excess of 90 days, duly authorized in writing by the Company, provided (a) the Employee’s right to reemployment is guaranteed either by statute or contract, or (b) for the purpose of military service, shall not be deemed a Termination of Service.

(G) Each of the above provisions, to the extent applicable to Options, except to the extent they are applicable solely to (i) the actual purchase of stock and payment of consideration or (ii) Incentive Options, shall also apply to the grant of Stock Appreciation Rights by the Committee under the Plan.

Section 8. Administration

(A) The Plan shall be administered by the Compensation Committee of the Board unless a different committee is appointed by the Board.

(B) The Committee’s administration of the Plan shall be subject to the following:

(i) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Individuals those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards, and, subject to the restrictions of Section 11, to cancel or suspend Awards.

(ii) To the extent that the Committee determines that the restrictions imposed by the Plan preclude the achievement of the material purposes of the Awards in jurisdictions outside the United States, the Committee will have the authority and discretion to modify those restrictions as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of those jurisdictions.

(C) The Committee may delegate to one or more Directors or officers of the Company, or a committee of such Directors or officers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify, waive rights with respect
to, alter, discontinue, suspend or terminate Awards held by, Employees who are not officers or Directors of the Company for purposes of Section 16 of the Exchange Act provided, however, that any such delegation shall conform with applicable law and the requirements of any exchange on which the Company’s securities are listed.

(D)  The Company and its Affiliates shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of the Company and its Affiliates as to an Employee’s or Participant’s employment (or other provision of services), Termination of Service, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish to the Company such evidence, data, or information, as the Committee or the Company considers desirable to carry out the terms of the Plan.

(E)  The Committee is authorized, subject to the provisions of the Plan, to construe and interpret the terms of the Plan and any Award granted hereunder, establish, amend and rescind such rules and regulations, as it deems necessary or advisable for the proper administration of the Plan and to take any such other action in connection with or in relation to the Plan, as it deems necessary or advisable. Each action and determination made or taken pursuant to the Plan by the Committee, including any interpretation or construction of the Plan, shall be final and conclusive for all purposes and upon all persons.

(F)  No member of the Committee or the Board shall be personally liable for any action, determination or interpretation made by him/her or the Committee or the Board in good faith with respect to the Plan or any Award granted pursuant thereto.

(G)  The Committee, the Company, and its officers and Directors, shall be entitled to rely upon the advice, opinions or valuations of any attorneys, consultants, accountants or other persons employed to assist them in connection with the administration of the Plan.

Section 9. Government Regulations and Registration of Shares

(A)  The Plan, and the grant and exercise of Awards hereunder, and the Company’s obligation to sell and deliver stock under Options and Stock Appreciation Rights, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required.

(B)  The obligation of the Company with respect to Awards shall be subject to all applicable laws, rules and regulations and such approvals by any governmental agencies as may be required, including, without limitation, the effectiveness of any registration statement required under the Securities Act of 1933, and the rules and regulations of any securities exchange or association on which the Stock may be listed or quoted.

(C)  With respect to persons subject to Section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. In addition, it is the intent of the Company that Incentive Options comply with the applicable provisions of Section 422 of the Code, that grants of “qualified performance-based compensation” comply with the applicable provisions of Section 162 (m) of the Code and that, to the extent applicable, all Awards comply with the requirements of Section 409A of the Code. To the extent that any legal requirement of Section 16 of the Exchange Act...
Act or Section 422, 162 (m) or 409A of the Code as set forth in the Plan ceases to be required under such section, the Committee, in its sole discretion, may decide that the applicable Plan provision shall cease to apply. The Committee may revoke any Award if it is contrary to law, or may modify an Award to bring it into compliance with any valid and mandatory government regulation.

Section 10. Miscellaneous Provisions

(A) Rights of Company. Nothing contained in the Plan or in any Agreement, and no action of the Company or the Committee with respect thereto, shall interfere in any way with the right of the Company or an Affiliate to terminate the employment of the Participant at any time, with or without cause. The grant of Awards pursuant to the Plan shall not affect in any way the right or power of the Company to make reclassifications, reorganizations or other changes of or to its capital or business structure or to merge, consolidate, liquidate, sell or otherwise dispose of all or any part of its business or assets.

(B) Designation of Beneficiaries. Each Participant who shall be granted a Plan Award may designate a beneficiary or beneficiaries and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Company on a form to be prescribed by it, provided that no such designation shall be effective unless so filed prior to the death of such person.

(C) Payroll Tax Withholding. To the extent that the Company is required to withhold any Federal, state or other taxes in respect of any compensation income realized by the Participant in respect of shares acquired pursuant to an Award, or in respect of the exercise, settlement, or vesting of any such Awards, then, except as otherwise agreed between the Company and the Participant prior to the date of the required withholding, the Company shall deduct from either Shares or any payments of any kind otherwise due to such Participant the aggregate amount of such Federal, state or other taxes required to be so withheld. If such payments are insufficient to satisfy such Federal, state or other taxes, then such Participant will be required to pay to the Company, or make other arrangements satisfactory to the Company regarding payment to the Company of, the aggregate amount of any such taxes. All matters with respect to the total amount of taxes to be withheld in respect of any such compensation income shall be determined by the Company in its sole discretion.

Federal, state, and other tax due upon the exercise of any Award may, in the discretion of the Company, be paid in shares of Stock already owned by the Participant or through the withholding of shares otherwise issuable to such Participant, upon such terms and conditions (including, without limitation, the conditions referenced in Section 6) as the Company shall determine which shares shall have an aggregate Fair Market Value equal to the required minimum withholding payment. If the Participant shall fail to pay, or make arrangements satisfactory to the Committee for the payment to the Company of all such federal, state and other taxes required to be withheld by the Company, then the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to such Participant an amount equal to federal, state or other taxes of any kind required to be withheld by the Company.

(D) Employees Subject to Taxation Outside the United States. The Committee may amend or modify the terms of the Plan or Awards with respect to Participants who reside or work outside the United States in order to conform such terms with the requirements of local law or tax law for a Participant and the Company. An award may be modified under this Section 10(D) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will
not contravene any applicable law or regulation or result in actual liability under Section 16(b) of the Act for the Participant whose award is modified. Additionally, the Committee may adopt such procedures and sub-plans as are necessary or appropriate to permit individuals eligible to participate in the Plan who are non-U.S. nationals or who reside or work outside the United States to participate in the Plan.

(E) Exclusion from Benefit Computation. By accepting an Award, unless otherwise provided in the applicable Agreement, each Participant shall be deemed to have agreed that such Award is special incentive compensation that will not be taken into account, in any manner, as salary, compensation or bonus in determining the amount of any payment under any health and welfare, pension, retirement or other employee benefit plan, program or policy of the Company or any Subsidiary. In addition, each Beneficiary of a deceased Participant shall be deemed to have agreed that such Award will not affect the amount of any life insurance coverage, if any, provided by the Company on the life of the Participant which is payable to such Beneficiary under any life insurance plan covering employees of the Company or any Subsidiary.

(F) Use of Proceeds. Proceeds from the sale of Shares pursuant to Options granted under this Plan shall constitute general funds of the Company.

(G) Form and Time of Elections. Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the Company at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Company shall require.

(H) Unfunded Status. Neither a Participant nor any other person shall, by reason or participation in the Plan, acquire any right in or title to any assets, funds or property of the Company or any Affiliate whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Affiliate, in its sole discretion may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the Stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Subsidiary, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company or any Affiliate shall be sufficient to pay any benefits to any person.

(I) Section 409A Compliance. Although the Company does not guarantee the particular tax treatment of an Award granted under this Plan, Awards made under this Plan are intended to comply with, or be exempt from, the applicable requirements of Section 409A of the Code and this Plan and any Award agreement hereunder shall be limited, construed and interpreted in accordance with such intent. To the extent that any Award granted under the Plan constitutes “non-qualified deferred compensation” pursuant to Section 409A of the Code (a “Section 409A Covered Award”), it shall be paid in a manner that is intended to comply with Section 409A of the Code. In no event whatsoever shall the Company be liable for any additional tax, interest or penalties that may be imposed on a participant by Section 409A of the Code or any damages for failing to comply with Section 409A of the Code or this Section 15.6. Notwithstanding anything in the Plan or in an Award to the contrary, the following provisions shall apply to Section 409A Covered Awards:

(i) A termination of employment shall not be deemed to have occurred for purposes of any provision of a Section 409A Covered Award providing for payment upon
or following a termination of the Participant’s employment unless such termination is also a “Separation from Service” within the meaning of Code Section 409A and, for purposes of any such provision of Section 409A Covered Award, references to a “termination,” “termination of employment” or like terms shall mean Separation from Service. Notwithstanding any provision to the contrary in the Plan or the Award, if the participant is deemed on the date of the Participant’s termination to be a “specified employee” within the meaning of that term under Code Section 409A(a)(2)(B) and using the identification methodology selected by the Company from time to time, or if none, the default methodology set forth in Code Section 409A, then with regard to any such payment under a Section 409A Covered Award, to the extent required to be delayed in compliance with Code Section 409A(a)(2)(B), such payment shall not be made prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of the participant’s Separation from Service, and (ii) the date of the participant’s death. All payments delayed pursuant to this Section 15.6(a) shall be paid to the participant on the first day of the seventh month following the date of the participant’s Separation from Service or, if earlier, on the date of the participant’s death.

(ii) Whenever a payment under a Section 409A Covered Award specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company.

(iii) If under the Section 409A Covered Award an amount is to be paid in two or more installments, for purposes of Code Section 409A, each installment shall be treated as a separate payment.

(J) **Recoupment**. Dodd-Frank Clawback. The Committee shall full authority to implement any policies and procedures necessary to comply with Section 10D of the Exchange Act and any rules promulgated thereunder. Without limiting the foregoing, each Agreement evidencing Awards with performance conditions made to Employees who are at the Senior Vice President level or more senior shall include a provision which requires at a minumum that, in the event that:

- required under regulations adopted under the Dodd Frank Wall Street Reform and Consumer Protection Act;
- the Company’s financial statements covering the applicable performance period (the “Performance Period”) are restated due to material non-compliance with financial reporting requirements within two years of the end of the Performance Period; or
- the Committee determines, in consultation with the Company’s Audit Committee, that there is a high likelihood that an out-of-period adjustment to the Company’s financial statements covering the Performance Period would be deemed to be material because there is alleged misconduct of one or more participants hereunder associated with the adjustment and, absent the adjustment, the benefits payable hereunder to such participant(s) would be materially greater,

the Committee may require the Award holder to forfeit and/or repay an amount equal to the difference between the amount actually awarded pursuant to such Agreement based on the erroneous financial data and the amount of compensation that should have been awarded to the Award holder pursuant to such Agreement under the accounting restatement or the adjusted financial statements, as
applicable, as determined by the Committee in its sole discretion taking into account those factors the Committee determines necessary or
appropriate.

(K) **Data Privacy.** As a condition of receipt of any Award, each Participant explicitly and unambiguously consents to the collection, use, and transfer, in electronic or other form, of personal data as described in this Section by and among, as applicable, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing the Plan and Awards and the Participant’s participation in the Plan (“Plan Administration”). In furtherance of such implementation and administration, the Company and its Affiliates may hold certain personal information about a Participant, including but not limited to, the Participant’s name, home address, telephone number, date of birth, social security or insurance number or other identification number, compensation, nationality, job title, information regarding any securities of the Company or any of its Affiliates, and details of all Awards (the “Data”). In addition to transferring the Data among themselves as necessary for the purpose of Plan Administration, the Company and its Affiliates may each transfer the data to any third parties assisting the Company in Plan Administration. Recipients of the Data may be located in the Participant’s country or elsewhere, and the Participant’s country and any given recipient’s country may have different data privacy laws and protections. By accepting an Award, each Participant authorizes such recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of Plan Administration, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Company or the Participant may elect to deposit any Shares. The Data related to a Participant will be held only as long as is necessary for Plan Administration. A Participant may, at any time, view the Data held by the Company with respect to such Participant, request additional information about the storage and processing of the Data with respect to such Participant, recommend any necessary corrections to the Data with respect to the Participant, or refuse or withdraw the consents herein in writing, in any case without cost, by contacting his or her local human resources representative. The Company may cancel the Participant’s eligibility to participate in the Plan, and in the Company’s discretion, the Participant may forfeit any outstanding Awards in the Participant refuses or withdraws the consents described herein. For more information on the consequences of refusal to consent or withdrawal of consent, Participants may contact their local human resources professional.

Section 11. Term; Amendment and Termination; Stockholder Approval of this Plan

(A) **Term.** The Plan in this form shall be effective as of the date of the annual shareholders meeting in 2016 (the “Effective Date”) if the Company’s shareholders approve of the Plan. Subject to Section 11(B) hereof, no Awards may be granted under the Plan after May 19, 2026, but Awards granted prior to such date may, and the Committee’s authority to administer the terms of such Awards shall, extend beyond that date.

(B) **Amendment and Termination.** The Committee may at any time terminate, suspend or discontinue this Plan. The Committee may amend this Plan at any time, provided that no such amendment shall be made without the approval of the Company’s stockholders (a) to the extent that such approval is required by applicable law or by the listing standards of any applicable exchange(s) on or after the adoption of this Plan, (b) to the extent that such amendment would materially increase the number of securities which may be issued under the Plan, (c) to the extent that such amendment would materially modify the requirements for participation in the Plan, (d) to the extent that such amendment would accelerate the vesting of any Restricted Stock or Restricted Stock Units under the Plan except as otherwise provided in the Plan or (e) to the extent that such amendment would permit or would result in the purchase of any or all outstanding Options with an Exercise...
Exhibit 10.17

Price greater than the Fair Market Value of a Share of Stock or repricing of any Options under the Plan.

The Committee may at any time alter or amend any or all Award Agreements under this Plan to include provisions, or to effect a result, that would be authorized for a new Award under this Plan, so long as such an amendment would not require approval of the Company’s shareholders if such amendment were made to the Plan. Notwithstanding the foregoing, except as may be provided in Section 7(C), no such action by the Board or the Committee shall, in any manner adverse to a Participant, affect any Award then outstanding without the consent in writing of the affected Participant.
EMPLOYMENT AGREEMENT

THIS AGREEMENT ("Agreement"), dated as of August 3, 2015 is entered into between Celebrity Cruises Inc., a company organized and existing under the laws of Liberia (together with its successor and assigns, “Company”), and Lisa Lutoff-Perlo ("Executive").

Recitals

Executive and Company desire to enter into this Agreement for Company's employment of Executive as a full time officer of Company, on the terms and conditions contained in this Agreement, which terms and conditions have been approved by the Compensation Committee of the Board of Directors of Company. THIS AGREEMENT SUPERSEDES ANY PRIOR EMPLOYMENT AGREEMENT BETWEEN COMPANY AND EXECUTIVE.

Agreement

For and in consideration of the foregoing and of the mutual covenants of the parties herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. EMPLOYMENT. Company hereby employs Executive to serve in the capacities described herein and Executive hereby accepts such employment and agrees to perform the services described herein upon the terms and conditions hereinafter set forth.

2. TERM. The term of this Agreement (the “Term”) shall commence on the date of this Agreement and shall continue until the occurrence of a “Termination Event”, as defined below, except that, until the occurrence of a Termination Event, at any date the Term shall consist of a period of two (2) years from that date. As used in this Agreement, a “Termination Event” shall mean any of the events described in Section 7 hereof.

3. POSITION, DUTIES AND LOCATION.

   (a) Position. Executive shall have the title appearing in the signature page of this Agreement.

   (b) Duties and Location. Executive's employment duties and responsibilities will be those designated to him or her, from time to time, by Company and will, in all respects, be consistent with the duties and responsibilities of an individual serving as a full time officer of Company. Executive will, at all times during the Term, comply with all ethics and employment policies of Company applicable to full time officers of Company, as such policies may be amended by Company from time to time, including, but not limited to any policy requiring ownership of Company equity by officers of Company. When performing his or her duties hereunder, Executive shall report to such executive officer of the Company as may be designated by Company. Executive agrees to devote his or her entire professional time, energy, and skills to such employment during the Term. During the Term, Executive’s principal office, and principal place of employment, shall be in Southeast Florida.
Permitted Activities. Subject to Company’s ethics and employment policies, as from time to time constituted or amended, Executive shall (i) with the prior written approval of Company, be permitted to serve as a director of one or more other U.S. or non-U.S. companies during the Term, and (ii) engage in other charitable activities and community affairs; provided that, none of the foregoing activities shall interfere with the proper performance of his or her duties and responsibilities hereunder.

4. COMPENSATION.

(a) Base Compensation. Company shall pay Executive, and Executive agrees to accept, base compensation (“Base Compensation”) as designated from time to time in written communication from Company setting forth such Base Compensation. Such Base Compensation shall be paid in accordance with the Company’s payroll cycle during the Term, subject to all applicable withholding taxes. The Base Compensation may be reviewed by Company and by written notice from Company to Executive, may be increased, but not decreased, at any time during the Term at the sole discretion of Company. No increase in the Base Compensation pursuant to this Section 4(a) shall at any time operate as a cancellation of this Agreement; any such increase shall operate merely as an amendment hereof, without any further action by Executive or Company. If any such increase or increases shall be so authorized, all of the terms, provisions and conditions of this Agreement shall remain in effect as herein provided, except that the Base Compensation shall be deemed amended to set forth the higher amount of such Base Compensation to Executive.

(b) Bonus Compensation. Executive shall be eligible to participate in any cash bonus compensation program available to full time officers of Company and eligible to receive an annual cash bonus during the Term on the same basis and under substantially the same terms as such similarly situated employees. The bonus award of Executive shall be established from time to time by Company, in its sole and unfettered discretion.

(c) Equity and Long-Term Incentive Awards. Executive shall be eligible to participate in any equity or long-term incentive plans available to full time officers of Company and eligible to receive awards under such plans from time to time, as determined by Company, in its sole and unfettered discretion. Any equity grant(s) held by Executive on the date of this Agreement shall be retained by Executive, subject to the terms and conditions of the plan(s) or agreement(s) under which such equity grant(s) were awarded or distributed.

5. FRINGE BENEFITS.

(a) Generally. Executive and his or her eligible dependents shall be entitled to participate in all pension, welfare, benefits, and fringe benefit programs or other employee perquisite programs approved by Company that now or hereafter may be made generally available to full time officers of Company and for which Executive or such dependents will qualify according to eligibility requirements under the provisions thereof. The Company shall purchase Executive a policy of insurance on the life of Executive in the amount generally available to full time officers of Company, plus an amount equal to two (2) times Executive's annual Base Compensation. Benefits of any such policy of insurance shall be paid to beneficiaries designated by Executive.
(b) **Vacation.** During the term of this Agreement, Executive shall be entitled to paid vacation per calendar year in accordance with Company policies regarding vacation generally.

(c) **Relocation.** If Executive is required by Company to relocate from his or her principal place of employment as set forth in Section 3(b), he or she shall be eligible for relocation benefits in accordance with Company policy regarding relocation generally available to full time officers of Company.

6. **EXPENSES.** During the period of his or her employment, Executive shall be reimbursed for his or her business-related expenses incurred on behalf of Company in accordance with the travel and entertainment expense policy of Company in effect at the time the expense was incurred. Executive agrees to maintain such records and documentation of all such expenses to be reimbursed by Company hereunder as Company shall require and in such detail as Company may reasonably request.

7. **TERMINATION.**

(a) **Generally.** Executive’s employment under this Agreement may be terminated prior to expiration of the Term in accordance with the following paragraphs.

(b) **Mutual.** Executive’s employment under this Agreement may be terminated upon the mutual written agreement of Company and Executive.

(c) **Death or Disability.** In the event of the death of Executive, this Agreement shall terminate. If, during Executive’s employment under this Agreement, Executive shall become disabled, as defined by Company's then applicable and governing long term disability plan or policy, and unable to perform his or her duties as required herein (“**Disability**”), then Company may, upon written notice to Executive, terminate Executive’s employment under this Agreement and this Agreement shall terminate upon such termination of employment.

(d) **Cause.** Executive’s employment under this Agreement may be terminated by Company for Cause, as herein defined. For purposes of this Agreement, the term “**Cause**” shall mean the existence or occurrence of one or more of the following conditions or events:

   (i) Executive's commission of fraud, deceit, misappropriation, theft, embezzlement, financial misrepresentation or other similar behavior or action in Executive's dealings with or with respect to Company or its subsidiaries or affiliates or any entity with which Company or its subsidiaries or affiliates shall be engaged in or be attempting to engage in commerce;

   (ii) Executive being convicted of or entering a plea of guilty or nolo contendere to any crime which constitutes a felony offense or any crime involving moral turpitude;

   (iii) Executive's actions or failure(s) to act constitute a material conflict of interest pursuant to Company’s ethics and employment policies, as from time to time constituted or amended;

   (iv) Executive's intentional, reckless, or grossly negligent conduct results in damage of a material nature to any property or business interests of Company or its subsidiaries or affiliates;
(v) Executive's actions or failure to act constitute a material breach of his or her duties hereunder; or

(vi) Executive’s failure to follow the lawful directives of Company, with respect to his or her duties hereunder or to comply with Company policies, as from time to time constituted or amended.

In the event Executive shall become the subject of an arrest, indictment, charge, or information, or any other judicial or quasi-judicial proceeding brought by any state or federal law enforcement or administrative agency, relating to the alleged commission by Executive of any crime described in Section 7(d)(ii), Company may, at its election, immediately suspend Executive, without compensation, pending an acquittal or satisfactory (to Company in its sole discretion) dismissal or other disposition of any of the foregoing. In the event of any such acquittal or satisfactory dismissal or other disposition of charges following the suspension of Executive by Company as permitted by Section 7(d)(ii), upon reinstatement of Executive, Company's obligation to compensate Executive during the suspension shall be the lesser of Executive's unpaid annual Base Compensation during the period of suspension or Executive's annual Base Compensation for a period of two (2) years from the date of the suspension.

No termination of Executive's employment hereunder by Company for Cause shall be effective as a termination for Cause unless the provisions of this Section 7(d) shall first have been complied with. Any termination of Executive’s employment by Company under this Section 7(d) shall be communicated by Notice of Termination to Executive given in accordance with Section 14 hereof. A “Notice of Termination” means a written notice which (1) indicates the specific termination provision in this Agreement relied upon, (2) sets forth, in reasonable detail, the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated, and (3) if the termination date is other than the date of receipt of such notice, specifies the termination date, which date shall not be more than sixty (60) calendar days after the giving of such notice.

Termination for Cause as a result of events set forth in Section 7(d) (i) through (iv) above shall be effective immediately upon delivery of the Notice of Termination pursuant to Section 7(a) hereof. In the event of a Termination for Cause as a result of the events set forth in Section 7(d)(v) or (vi) above, Executive shall have fifteen (15) days (the "Cure Period") from the date Executive receives a Notice of Termination to remedy and cure any alleged Cause supporting any termination pursuant to this Section 7(d)(v) or (vi). If Executive fails to cure such alleged Cause within the Cure Period (during which time Company, at its sole discretion, may suspend Executive without compensation), Executive's employment hereunder and this Agreement shall then immediately terminate for Cause. If Executive cures the alleged Cause and Executive was suspended during the Cure Period, he or she shall be promptly reinstated and any suspended compensation shall be promptly paid to Executive.

(e) Without Cause. Executive may be terminated by Company for any reason or for no reason at any time.

(f) Executive Termination for Good Reason. Executive shall have the right to terminate his or her employment with the Company for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:
(i) the assignment to Executive of any duties inconsistent with Executive’s position (including status, offices, and
titles), authority, duties or responsibilities as contemplated by this Agreement, or any other action by Company which results in a
material diminution in such position, authority, duties or responsibilities, including without limitation, changes to Executive's
position in any succeeding surviving corporate entity in comparison to the position currently held with Company, excluding for this
purpose isolated, insubstantial and inadvertent actions not taken in bad faith and which are remedied by Company promptly after
receipt of such notice thereof given by Executive;

(ii) any failure by Company to provide the employee with the compensation and benefits as
provided for in this Agreement, other than isolated, insubstantial and inadvertent failures not occurring in bad
faith and which are remedied by Company promptly after receipt of notice thereof given by Executive; or

(iii) any purported termination by Company of Executive’s employment otherwise than as
expressly permitted by this Agreement.

No termination of Executive's employment hereunder by Executive for Good Reason shall be effective unless the provisions of this
Section 7(f) shall first have been complied with. Any termination of Executive’s employment by Executive under this Section 7(f)
shall be communicated by a Good Reason Termination Notice to Company given within thirty (30) days of the occurrence of the
event listed above in accordance with Section 14. A “Good Reason Termination Notice” means a written notice which (1) indicates
the specific termination provision in this Agreement relied upon, (2) sets forth, in reasonable detail, the facts and circumstances
claimed to provide a basis for termination of Executive’s employment under the provision so indicated, and (3) specifies a
termination date, which date shall not be less than fifteen (15) nor more than thirty (30) calendar days after the giving of such notice.
Company shall have fifteen (15) days (the “Company’s Cure Period”) from the date Company receives a Good Reason Termination
Notice to remedy and cure any alleged Good Reason supporting any termination pursuant to this Section 7(f). If Company fails to
cure such alleged Good Reason within Company's Cure Period, Executive's employment hereunder and this Agreement shall then
terminate for Good Reason as of the conclusion of Company's Cure Period or the termination date set forth in the Good Reason
Termination Notice, whichever is later. If Company cures the alleged Good Reason, Executive shall then immediately resume his or
her duties under this Agreement.

(g) Resignation. Executive shall have the right to terminate his or her employment with the Company at any time for any
reason whatsoever.

8. COMPENSATION UPON TERMINATION.

(a) Generally. Executive’s entitlement to compensation in the event of a Termination Event, shall be as set forth in this
Section 8.

(b) Mutual. If this Agreement and Executive’s employment hereunder is terminated by mutual agreement pursuant to
Section 7(b) hereof, Executive's compensation and benefits on a going forward basis shall be as agreed to by the parties at such time.
(c) **Death.** If this Agreement and Executive’s employment hereunder is terminated due to the death of Executive pursuant to Section 7(c), Company shall have no obligation to Executive or legal representatives of Executive other than (i) payment of termination compensation in the amount equal to two (2) times Executive's annual Base Compensation in effect on the date of such termination, subject to applicable withholding taxes, and payable, in a lump sum(s) within sixty (60) days following the date of Executive’s death (the “Payment Date”); (ii) payment of Executive's "target bonus," as that term is used in Company's current bonus plan for full time officers of Company, or its equivalent if the term or plan should be amended, which Executive would have been otherwise entitled to receive during the two (2) year period commencing on the date of such termination, payable on the Payment Date; (iii) payment of any accrued benefits or obligations owed to Executive; (iv) benefits (if any) provided in accordance with applicable plans, programs and arrangements of Company or as required by law; and (v) any outstanding equity grant(s) held by Executive at the time of such termination as governed by the agreement or plan pursuant to which such grant(s) was issued.

(d) **Disability.** If Executive incurs a Disability, Company shall have no obligation to Executive or legal representatives of Executive other than (i) payment of termination compensation in the amount equal to two (2) times Executive's annual Base Compensation in effect on the date of the determination of the Disability, subject to applicable withholding taxes, and payable, subject to Section 8(g), in accordance with Company’s payroll cycle during the two (2) year period commencing on the date of the determination of the Disability; (ii) payment of the Executive’s "target bonus," as that term is used in Company's current bonus plan for full time officers of Company, or its equivalent if the term or plan should be amended, which Executive would have been otherwise entitled to receive each year during the two (2) year period commencing on the date of the determination of the Disability, payable, subject to Section 8(g), in each of the two years following the year of the determination of the Disability; (iii) payment of any accrued benefits or obligations owed to Executive; (iv) benefits (if any) provided in accordance with applicable plans, programs and arrangements of Company or as required by law; and (v) any outstanding equity grant(s) held by Executive at the time of such termination as governed by the agreement or plan pursuant to which such grant(s) was issued.

The terms of this Section 8(d) to the contrary notwithstanding, in the event that Executive’s disability satisfies the definition of disability under Section 409A of the Internal Revenue Code, Company shall pay the amounts specified in subsections (i) and (ii) of this Section 8(d) in a lump sum(s) within sixty (60) days following the date of determination of such Disability.

(e) **Cause.** If this Agreement and Executive’s employment hereunder is terminated for Cause pursuant to Section 7(d) hereof, Company shall have no obligation to Executive or legal representatives of Executive other than (i) payment of Executive’s Base Compensation through such date of termination; (ii) payment of any accrued benefits or obligations owed to Executive; (iii) benefits (if any) provided in accordance with applicable plans, programs and arrangements of Company or as required by law; (iv) any outstanding equity grant(s) held by Executive at the time of such termination as governed by the agreement or plan pursuant to which such grant(s) was issued.
Without Cause or for Good Reason.

A. If this Agreement and Executive’s employment hereunder is terminated without Cause pursuant to Section 7(e) hereof or terminated by Executive for Good Reason pursuant to Section 7(f) hereof, Company shall have no obligation to Executive or legal representatives of Executive other than (conditioned upon Section 8(f)(B) below):

(i) payment of termination compensation in an amount equal to (a) two (2) times Executive's annual Base Compensation in effect on the date of such termination (the “Base Compensation Severance”), plus (b) an amount equal to two (2) times Executive's "target bonus" (as that term is used in the current bonus plan applicable to full time officers of Company, or its equivalent if the term or plan should be amended) for the year of such termination (the “Bonus Severance”). The Base Compensation Severance shall be payable as follows: (x) an amount equal to the maximum separation pay amount for the Executive determined under Treas. Reg. § 1.409A-1(b)(9)(iii) and (v)(D) for the year in which the termination of employment occurs shall be paid over the two-year period following the date of termination and (y) the amount equal to the total amount of Base Compensation Severance, less the amount set forth in the preceding clause (x), shall be paid over the period commencing on the date of termination and ending on December 31 of the year following the year of termination. All payments of Base Compensation Severance shall be payable in accordance with the Company's payroll cycle in substantially equal amounts determined separately for each of the two payment periods designated in the foregoing clauses (x) and (y), commencing on the date of termination, subject to Section 8(f)(B) and Section 8(g). The Bonus Severance shall be payable as follows: (I) fifty percent (50%) of the Bonus Severance shall be paid in the February immediately following the date of termination and (II) fifty percent (50%) of the Bonus Severance shall be paid in the earlier of (x) the second February immediately following the date of termination or (y) the December of the year following the year in which the termination occurs. All payments of Base Compensation Severance and Bonus Severance shall be subject to applicable withholding taxes.

(ii) continued coverage of medical benefits at the same cost as similarly situated active employees for a period of two (2) years or until such time as Executive commences new employment, whichever occurs first;

(iii) payment of any accrued benefits or obligations owed to Executive;

(iv) benefits (if any) provided in accordance with applicable plans, programs and arrangements of Company or as required by law;

(v) payment of reasonable professional search fees relating to Executive's outplacement; and

(vi) any outstanding equity grant(s) held by Executive at the time such termination as governed by the agreement or plan pursuant to which such grant(s) was issued.

B. In consideration of the compensation and benefits payable to Executive pursuant to subsections (i), (ii), and (v) of Section 8(f)(A), Executive shall, as a condition to payment of such compensation and benefits, execute a general release, in form and substance reasonably acceptable to the Company, releasing the Company and its affiliates from all claims and liabilities Executive may have against the Company in connection with Executive’s employment by the
Company, except for any accrued obligations. Except as otherwise provided in Section 8(g), the commencement of payments due under Sections 8(f)(A)(i)(x) and (y) shall commence no later than 60 days of the date of such termination provided that the Executive has executed and submitted the release and the period for revocation of the release pursuant to applicable law has expired within the 60-day period. In any case where the period for execution and revocation of the release begins in one calendar year and ends in another calendar year, the commencement of payments shall be deferred until the second calendar year regardless of whether the release is executed in the first calendar year. The aggregate of any amounts deferred pursuant to this Section 8(f)(B) shall be paid in one lump sum on the first payroll date on which payments commence hereunder. Under no circumstances shall the Executive be permitted to designate the calendar year in which the payments commence.

(g) **Six-Month Deferral.** If Executive is a “specified employee” as defined in Section 409A(a)(2)(B)(i) of the Internal Revenue Code, Executive shall not be paid the amounts that would otherwise be payable to Executive pursuant Section 8(d)(i) and 8(d)(ii) or 8(f)(A)(i), as the case may be, for the first six months following termination of Executive’s employment. The aggregate of such amounts shall instead be paid in one lump sum immediately following the expiration of the six month period. The preceding payment restriction shall not apply to the extent that any portion of such payment, if made during the first six-month period, would be treated as exempt from the provisions of Section 409A or would otherwise be treated as permitted deferred compensation pursuant to any other applicable provisions of Section 409A or the rules and regulations promulgated thereunder (for example, as separation pay due to an involuntary termination pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations).

(h) **Resignation.** If this Agreement and Executive’s employment hereunder is terminated due to his or her resignation pursuant to Section 7(g) hereof, Company shall have no obligation to Executive or legal representatives of Executive other than (i) the payment of Executive’s Base Compensation through such date of termination; (ii) the payment of any accrued benefits or obligations owed to Executive; and (iii) benefits (if any) provided in accordance with applicable plans, programs and arrangements of Company or as required by law; and (iv) any outstanding equity grant(s) held by Executive at such time as governed by the agreement or plan pursuant to which such grant(s) was issued.

(i) **Discretionary One Time Bonus.** If this Agreement and Executive's employment hereunder is terminated (i) by the Company without Cause, pursuant to Section 7(e) hereof; or (ii) by the Executive for Good Reason, pursuant to Section 7(f) hereof; at the conclusion of the two (2) year period commencing with the date of such termination, at the sole and unfettered discretion of the Company, Executive may be awarded a one-time termination bonus in an amount not to exceed one half of Executive's annual Base Compensation in effect on the date of such termination, subject to applicable withholding taxes. Such payment shall be made in a lump sum within sixty (60) days following the date of determination by the Company to make such payment.

(j) **No Mitigation.** Executive shall not be required to mitigate the amount of any payments provided for in Sections 8(f) by seeking other employment or otherwise, nor shall the amount of any payments or benefits provided for in Sections 8(f) be reduced by any compensation earned by Executive as a result of employment by another employer or by retirement benefits.

8
9.

CONFIDENTIAL INFORMATION. Executive recognizes and acknowledges that he or she will have access to certain confidential information of Company, its subsidiaries and affiliates and of corporations with whom Company does business, and that such information constitutes valuable, special and unique property of Company, its subsidiaries, affiliates and such other corporations. During the term of this Agreement and subsequent to the termination of this Agreement for any reason, Executive agrees not to disclose or use any confidential information except in the course of Executive’s employment by, and for the benefit of the Company or its subsidiaries or affiliates. “Confidential information” includes without limitation, information, observations, procedures, practices, and data, whether written or oral, regarding any of the business, operations or affairs of the Company, its subsidiaries and its affiliates, including, by way of example, strategies, planning, research, developments, product designs or specifications, manufacturing processes, “know-how,” prices, suppliers, customers, costs, workflow processes, any knowledge or information with respect to confidential or trade secrets of Company, its subsidiaries and affiliates or any information that a reasonable person would conclude is intended to remain confidential due to its nature or the circumstances under which it was learned, it being understood that such confidential information does not include information that is publicly available unless such information became publicly available as a result of a breach of this Agreement. Executive acknowledges and agrees that all notes, records, emails, reports, sketches, plans, unpublished memoranda or other documents belonging to Company, its subsidiaries and affiliates, but held by Executive, concerning any information relating to the business or operations of Company, its subsidiaries and affiliates, whether confidential or not, are the property of Company, its subsidiaries or affiliates and will be promptly delivered to Company upon Executive’s leaving the employ of Company or upon the request of Company at any time.

10.

INTELLECTUAL PROPERTY. As used in this Section 10 and the following Section 11, it is understood that “Business” is the actual or intended vacation cruise business of Company, its subsidiaries and affiliates (including ancillary vacation cruise related operations of Company, its subsidiaries and affiliates such as tours expeditions and destination vacations), as such Business is expanded or modified during the term of Executive’s employment. Executive acknowledges and agrees that all discoveries, inventions, designs, improvements, formulas, formulations, ideas, devices, writings, publications, study protocols, study results, computer data or programs, or other intellectual property, whether or not subject to patent or copyright laws, which Executive shall conceive solely or jointly with others, in the course or scope of his or her employment with Company or its subsidiaries or affiliates or in any way related to the Business, whether during or after working hours, or with the use of equipment, materials or facilities of Company or its subsidiaries or affiliates (collectively referred to herein as “Intellectual Property”), shall be the sole and exclusive property of Company or its subsidiaries or affiliates without further compensation to Executive. For purposes of this Agreement, any Intellectual Property, based upon proprietary or confidential information of Company, its subsidiaries or affiliates, developed within six (6) months after the termination of Executive’s employment, shall be presumed to be the property of Company, its subsidiaries or affiliates. Executive agrees to promptly notify Company and fully disclose the nature of such Intellectual Property. Executive shall take such steps as are deemed necessary to maintain complete and current records thereof, and Executive shall assign to Company or its designees, the entire right, title and interest in said Intellectual Property.

11.

NON-COMPETITION. Executive acknowledges that his or her services to be rendered hereunder are of a special and unusual character that have a unique value to Company and the conduct of its Business, the loss of which cannot adequately be compensated by damages in an
action at law. In view of the unique value to Company of the services of Executive for which Company has contracted hereunder, and because of the confidential information to be obtained by or disclosed to Executive as herein above set forth, and as a material inducement to Company to enter into this Agreement and to pay and make available to Executive the compensation and other benefits referred to herein, Executive covenants and agrees that Executive will not, directly or indirectly, whether as principal, agent, trustee or through the agency of any corporation, partnership, association or agent (other than as the holder of not more than five percent (5%) of the total outstanding stock of any company the securities of which are traded on a regular basis on recognized securities exchanges):

(a) while employed under this Agreement (i) work for (in any capacity, including without limitation as a director, officer or employee) any other entity engaged in cruises, with a minimum fleet size of 1,000 berths (including ships under construction or publicly announced to be built), or cruise related businesses of any such entity or (ii) recruit, or otherwise influence or attempt to induce employees of Company to leave the employment of Company; and

(b) for the two (2) year period immediately following the termination of Executive's employment pursuant to this Agreement (the "Non-competition Period"), for any reason, serve as or be a consultant to or employee, officer, agent, director or owner of another entity engaged in cruises, with a minimum fleet size of 1,000 berths (including ships under construction or publicly announced to be built), or cruise related businesses of any such entity. Executive further agrees that during the Non-competition Period, he or she shall not: (i) employ or seek to employ any person who is then employed or retained by Company or its affiliates (or who was so employed or retained at any time within the six (6) month period prior to the last day of Executive’s employment with Company); or (ii) solicit, induce, or influence any proprietor, partner, stockholder, lender, director, officer, employee, joint venturer, investor, consultant, agent, lessor, supplier, customer or any other person or entity which has a business relationship with Company or its affiliates at any time during the Non-competition Period, to discontinue or reduce or modify the extent of such relationship with Company or any of its subsidiaries.

Executive has carefully read and considered the provisions of Sections 9, 10, and 11 hereof and agrees that the restrictions set forth in such sections are fair and reasonable and are reasonably required for the protection of the interests of Company, its officers, directors, shareholders, and other employees, for the protection of the business of Company, and to ensure that Executive devotes his or her entire professional time, energy, and skills to the business of Company. Executive acknowledges that he or she is qualified to engage in businesses other than that described in this Section 11. It is the belief of the parties, therefore, that the best protection that can be given to Company that does not in any way infringe upon the rights of Executive to engage in any unrelated businesses is to provide for the restrictions described above. In view of the substantial harm which would result from a breach by Executive of Sections 9, 10 and 11, the parties agree that the restrictions contained therein shall be enforced to the maximum extent permitted by law as more particularly set forth in Section 13 below. In the event that any of said restrictions shall be held unenforceable by any court of competent jurisdiction, the parties hereto agree that it is their desire that such court shall substitute a reasonable judicially enforceable limitation in place of any limitation deemed unenforceable and that as so modified, the covenant shall be as fully enforceable as if it had been set forth herein by the parties.
12. **NON-DISPARAGEMENT.** During the duration of the Term and any Non-competition Period, Executive agrees that he or she shall not, at any time, make derogatory statements about the Company or its affiliates or otherwise disparage the business, name or reputation of the Company or its affiliates.

13. **REMEDIES.** The provisions of Sections 9, 10, 11 and 12 of this Agreement shall survive the termination of this Agreement as set forth therein, regardless of the circumstances or reasons for such termination, and inure to the benefit of Company. The restrictions set forth in Sections 9, 10 and 11 and 12 are considered to be reasonable for the purposes of protecting the business of Company. Company and Executive acknowledge that Company would be irreparably harmed and that monetary damages would not provide an adequate remedy to Company if the covenants contained in Sections 9, 10 and 11 and 12 were not complied with in accordance with their terms. Accordingly, Executive agrees that Company shall be entitled to injunctive and other equitable relief to secure the enforcement of these provisions, in addition to any other remedy which may be available to Company. The Company shall be entitled to receive from Executive reimbursement for reasonable attorneys’ fees and expenses incurred by Company in successfully enforcing these provisions to final judgment and Executive shall be entitled to receive from Company reasonable attorney’s fees and expenses incurred by Executive in the event Company is found to be not entitled to enforcement of these provisions.

14. **NOTICES.** Any notice required or permitted to be given under this Agreement shall be in writing and sent by an overnight courier service that provides proof of receipt, mailed by registered or certified mail (postage prepaid, return receipt requested) or telecopied to the parties at the addresses below (or to such other address as either party shall designate by like notice):

   **If to Executive:** To the address set forth below his or her signature on the signature page hereof.

   **If to Company:**

   Celebrity Cruises Inc.
   c/o Royal Caribbean Cruises Ltd.
   1050 Caribbean Way
   Miami, FL 33132
   Attention: General Counsel
   Telephone: (305) 539-6000
   Facsimile: (305) 539-0562

   With a copy to:

   Royal Caribbean Cruises Ltd.
   1050 Caribbean Way
   Miami, FL 33132
   Attention: Senior Vice President,
   Chief Human Resource Officer
   Telephone: (305) 539-6000  Facsimile: (305) 539-0562

15. **ENTIRE AGREEMENT; MODIFICATION.**
Exhibit 10.31

(a) This Agreement contains the entire agreement of Company and Executive with respect to the subject matter hereof, and Company and Executive hereby acknowledge and agree that this Agreement supersedes any prior statements, writings, promises, understandings or commitments with respect to the subject matter hereof.

(b) No future oral statements, promises or commitments with respect to the subject matter hereof, or other purported modification hereof, shall be binding upon the parties hereto unless the same is reduced to writing and signed by each party hereto.

16. ASSIGNMENT. The rights and obligations of Company under this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs (in the case of Executive) and assigns. No rights or obligations of Company under this Agreement may be assigned or transferred by Company, except that such rights or obligations may be assigned or transferred pursuant to a merger, consolidation or other combination, reconstruction or amalgamation or a sale or liquidation of all or substantially all of the business and assets of Company. Executive may not assign his or her rights and obligations under this Agreement other than his or her rights to compensation and benefits, which may be transferred only by will or operation of law.

17. LEGAL EXPENSES. Each party shall pay for all expenses incurred on its behalf in connection with this Agreement.

18. CONTINUATION OF PAYMENTS DURING DISPUTE. Pending the resolution of any dispute, controversy or claim arising out of, relating to or in connection with this Agreement, including any question regarding its existence, validity or termination, or regarding a breach thereof or indemnification thereunder, Executive (and his or her successor and heirs) shall continue to receive all payments and benefits due under this Agreement or otherwise, except: (i) to the extent a court of competent jurisdiction or arbiter, otherwise expressly provides, (ii) if the nature or basis of the dispute of any aspect thereof pertains to or involves payments or monies owed by Executive to Company (including payments or monies claimed by Company as being owed by Executive) Company may suspend payments to Executive pending resolution of such dispute, controversy or claim, (iii) if the nature or basis of the dispute or any aspect thereof pertains to or involves the Executive’s violation or alleged violation of the provisions of Sections 9, 10 and 11 and 12 of this Agreement, Company may suspend payments to Executive pending resolution of such dispute, controversy or claim, or (iv) as otherwise permitted elsewhere in this Agreement.

19. DISPUTE RESOLUTION. Any dispute, controversy or claim arising out of, relating to or in connection with this Agreement, including any question regarding its existence, validity or termination, or regarding a breach thereof or indemnification thereunder (a "Dispute") shall be resolved pursuant to the following:

(a) Any party (a "Disputing Party") may initiate consideration of a Dispute hereunder by giving written notice to the other party of the existence of a Dispute (a "Dispute Notice"). Such notice shall set forth in reasonable detail the nature of the Dispute to be considered and shall be accompanied by a full disclosure of all factual evidence then available to the Disputing Party and by a statement of the applicable legal basis of the dispute; provided, however, that (i) to provide any such disclosure or to state any legal basis shall not operate as a waiver of such legal basis or operate to preclude the presentation or introduction of such factual evidence at a later time or in any subsequent proceeding or litigation or otherwise constitute a waiver of any right that a party
may then or thereafter possess; and (ii) any settlement proposal made or proposed shall be deemed to have been made or proposed as part of a settlement discussion and may not be introduced in a legal proceeding without the prior written consent of the party making such proposal. The parties shall thereafter engage in good faith negotiations between themselves or their representatives for a period not to exceed thirty (30) days.

(b) Upon the giving or receipt of a Dispute Notice and the expiration of the thirty (30) day period provided in Section 19(a) hereof, during which good faith negotiations must have taken place, the parties may then commence arbitration in accordance with this Section 19(b) and subsequent subsections. Any dispute or claim arising from or relating to this Agreement, any dispute or claim arising from the rights and obligations created under this Agreement, or any dispute or claim relating to the breach of this Agreement, shall be settled by binding arbitration pursuant to the Commercial Arbitration Rules (and not the National Rules for the Resolution of Employment Disputes) of the American Arbitration Association. A party with a dispute or claim shall provide written notice requesting dispute resolution pursuant to this Section (the "Notice"). The arbitration panel shall be composed of three (3) arbitrators. The arbitration proceedings shall be conducted in Miami, Florida. Each party shall appoint one arbitrator within fourteen (14) calendar days from the receipt of Notice. These two arbitrators shall appoint the third arbitrator by mutual agreement within fourteen (14) calendar days of their own appointment. If the two (2) arbitrators appointed by the parties cannot agree on the third arbitrator within the specified time frames, the American Arbitration Association shall appoint one or more qualified arbitrators, as the case may be, as provided for in the Commercial Arbitration Rules of the American Arbitration Association.

(c) Subject to the last sentence of this Section 19(c), each party shall be liable for 50% of the costs of the arbitrators and of any other costs of the arbitration proceeding itself. If either party refuses to pay such costs and the other party makes payment of all costs which would otherwise be due, the arbitration panel shall enter an award in favor of the party which complies with its obligation to pay such costs. In accordance with Section 21(d) hereof, upon the entering of an award, the arbitration panel shall award the prevailing party all of its legal fees and costs incurred with respect to prosecuting or defending its case, including its share of the costs of the arbitration proceeding itself.

(d) The arbitration proceedings shall in all events include the right to a hearing, the right to cross-examine witnesses giving oral or written testimony, and the right to subpoena witnesses to testify at the hearing.

(e) The arbitration shall be final and binding on the parties without any right to appeal in any court of law.

(f) The covenant to arbitrate set forth in this Section 19 shall continue in effect after the expiration or termination of this Agreement.

(g) Notwithstanding any other provision in this Section 19, the Company shall be entitled to seek preliminary or permanent injunctive relief, or such other equitable relief, in a court of competent jurisdiction, in order to address and remedy violations or alleged violations by the Executive or the provisions of Sections 9, 10 and 11 and 12 of this Agreement.
20. **INDEMNIFICATION.** Company shall defend and indemnify Executive, in accordance with the then governing Articles of Incorporation, as amended, and Bylaws, as amended, of Company, for any civil or dispute resolution proceeding involving Executive, by reason of the fact that Executive is or was serving as an officer of Company or is or was otherwise serving at the request of Company.

21. **MISCELLANEOUS.**

   (a) This Agreement shall be subject to and governed by the laws of the State of Florida, without regard to the conflicts of laws principles thereof.

   (b) The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or the interpretation of this Agreement.

   (c) The failure of any party to enforce any provision of this Agreement shall in no manner affect the right to enforce the same, and the waiver by any party of any breach of any provision of this Agreement shall not be construed to be a waiver by such party of any succeeding breach of such provision or a waiver by such party of any breach of any other provision.

   (d) In any dispute, arbitration and/or litigation arising out of this Agreement, including appeals, the prevailing party shall be entitled to recover all legal fees and costs incurred in such dispute, arbitration and/or litigation.

   (e) In the event any one or more of the provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable, the remaining provisions of this Agreement shall be unimpaired, and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable valid, and enforceable provision which comes closest to the intent of the parties.

   (f) This Agreement may be executed in any number of counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the day and year first above written.

**CELEBRITY CRUISES INC.**

By: /s/ Bradley Stein
Bradley Stein
SVP, General Counsel

**EXECUTIVE**

/s/ Lisa Lutoff-Perlo
Lisa Lutoff-Perlo
President & CEO, Celebrity Cruises
ROYAL CARIBBEAN CRUISES LTD.
BOARD OF DIRECTOR COMPENSATION SCHEDULE
EFFECTIVE FOR 2017 FISCAL YEAR

**Cash Compensation**

Non-employee members of the Board of Directors are entitled to receive cash fees as follows:

<table>
<thead>
<tr>
<th>Cash Compensation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Board Retainer</td>
<td>$80,000</td>
</tr>
<tr>
<td>Annual Lead Director Retainer</td>
<td>50,000</td>
</tr>
<tr>
<td>Annual Audit Committee Chairman Retainer</td>
<td>30,000</td>
</tr>
<tr>
<td>Annual Audit Committee Member Retainer</td>
<td>20,000</td>
</tr>
<tr>
<td>Annual Compensation Committee Chairman Retainer</td>
<td>20,000</td>
</tr>
<tr>
<td>Annual Compensation Committee Member Retainer</td>
<td>10,000</td>
</tr>
<tr>
<td>Annual Committee Chairman Retainer (All Other Committees)</td>
<td>10,000</td>
</tr>
<tr>
<td>Annual Committee Member Retainer (All Other Committees)</td>
<td>7,500</td>
</tr>
</tbody>
</table>

**Equity Compensation**

At the discretion of the Board, each non-employee director is eligible to receive an annual grant of equity awards with an aggregate value on the date of grant equal to $150,000. The entire amount of the award is payable in restricted stock units which fully vest on the date of grant. Shares of our common stock underlying the restricted stock units are deliverable one year after the grant date independent of whether the director holding the restricted stock units continues to serve as a Board member as of the share delivery date.

**Cruise Benefits**

The Company provides Board members with certain cruise benefits in accordance with the Company’s Board Member Cruise Policy.
## Exhibit 12.1

### Royal Caribbean Cruises Ltd.

#### Ratio of Earnings to Fixed Charges

(in thousands, except ratios)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Earnings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$1,283,338</td>
<td>$665,783</td>
<td>$764,146</td>
<td>$473,692</td>
<td>$18,287</td>
</tr>
<tr>
<td>Income tax (benefit) expense</td>
<td>20,070</td>
<td>11,094</td>
<td>(20,896)</td>
<td>24,937</td>
<td>55,518</td>
</tr>
<tr>
<td>Income from equity investees, net of distributions</td>
<td>(52,408)</td>
<td>(53,015)</td>
<td>(45,362)</td>
<td>(26,071)</td>
<td>(21,078)</td>
</tr>
<tr>
<td>Fixed charges</td>
<td>342,307</td>
<td>314,107</td>
<td>299,410</td>
<td>364,515</td>
<td>383,575</td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>(25,253)</td>
<td>(26,491)</td>
<td>(28,827)</td>
<td>(17,878)</td>
<td>(13,281)</td>
</tr>
<tr>
<td><strong>Earnings</strong></td>
<td>$1,568,054</td>
<td>$911,478</td>
<td>$968,471</td>
<td>$819,195</td>
<td>$423,021</td>
</tr>
</tbody>
</table>

| **Fixed Charges**        |          |          |          |          |          |
| Interest expense (1)     | $332,628 | $304,216 | $287,126 | $350,299 | $369,062 |
| Interest portion of rent expense (2) | 9,679   | 9,891   | 12,284   | 14,216   | 14,513   |
| **Fixed charges**        | $342,307 | $314,107 | $299,410 | $364,515 | $383,575 |

| **Ratio of Earnings to Fixed Charges** | 4.6x | 2.9x | 3.2x | 2.2x | 1.1x |

(1) Interest expense includes capitalized interest and amortization of deferred financing expenses.

(2) For the years 2014 through 2011, interest portion of rent expense represents actual interest charges for *Brilliance of the Seas* operating lease. For all other rentals in the periods presented, we have assumed that one-third of rent expense is representative of the interest factor.
February 23, 2017

Members of the Board of Directors of
Royal Caribbean Cruises Ltd.
1050 Caribbean Way
Miami, Florida 33132
Board of Directors

Dear Directors:

We are providing this letter to you for inclusion as an exhibit to your Form 10-K filing pursuant to Item 601 of Regulation S-K.

We have audited the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 and issued our report thereon dated February 23, 2017. Note 1 to the financial statements describes a change in accounting principle related to the removal of the two-month reporting lag for Pullmantur Holdings. It should be understood that the preferability of one acceptable method of accounting over another for consolidating foreign operations has not been addressed in any authoritative accounting literature, and in expressing our concurrence below we have relied on management’s determination that this change in accounting principle is preferable. Based on our reading of management’s stated reasons and justification for this change in accounting principle in the Form 10-K, and our discussions with management as to their judgment about the relevant business planning factors relating to the change, we concur with management that such change represents, in the Company’s circumstances, the adoption of a preferable accounting principle in conformity with Accounting Standards Codification 250, Accounting Changes and Error Corrections.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
LIST OF SUBSIDIARIES

The following is a list of all our subsidiaries, their jurisdiction of incorporation and the names under which they do business. This list does not include those subsidiaries that, in the aggregate, would not have been a “significant subsidiary” as of December 31, 2016.

<table>
<thead>
<tr>
<th>NAME</th>
<th>INCORPORATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admiral Management Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Adventure of the Seas Inc.</td>
<td>Liberia</td>
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<tr>
<td>Allure of the Seas Inc.</td>
<td>Liberia</td>
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<tr>
<td>Anthem of the Seas Inc.</td>
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</tr>
<tr>
<td>Azamara Journey Inc.</td>
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<tr>
<td>Azamara Quest Inc.</td>
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<tr>
<td>Brilliance of the Seas Shipping Inc.</td>
<td>Liberia</td>
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<tr>
<td>Celebrity Cruise Lines Inc.</td>
<td>Cayman Islands</td>
</tr>
<tr>
<td>Celebrity Cruises Holdings Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Celebrity Cruises Inc., doing business as Celebrity Cruises</td>
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</tr>
<tr>
<td>Celebrity Eclipse Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Celebrity Equinox Inc.</td>
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<td>Celebrity Reflection Inc.</td>
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<tr>
<td>Celebrity Silhouette Inc.</td>
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<tr>
<td>Celebrity Solstice Inc.</td>
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</tr>
<tr>
<td>Constellation Inc.</td>
<td>Liberia</td>
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<tr>
<td>Enchantment of the Seas Inc.</td>
<td>Liberia</td>
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<tr>
<td>Explorer of the Seas Inc.</td>
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<tr>
<td>Freedom of the Seas Inc.</td>
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<tr>
<td>GG Operations Inc.</td>
<td>Delaware</td>
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<tr>
<td>Grandeur of the Seas Inc.</td>
<td>Liberia</td>
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<tr>
<td>Greensboro S.L.</td>
<td>Spain</td>
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<tr>
<td>Harmony of the Seas Inc.</td>
<td>Liberia</td>
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<tr>
<td>Independence of the Seas Inc.</td>
<td>Liberia</td>
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<tr>
<td>Infinity Inc.</td>
<td>Liberia</td>
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<tr>
<td>Island for Science, Inc.</td>
<td>Indiana</td>
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<tr>
<td>Islas Galapagos Turismo y Vapores CA</td>
<td>Ecuador</td>
</tr>
<tr>
<td>Jewel of the Seas Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Labadee Investments Ltd.</td>
<td>Cayman Islands</td>
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<tr>
<td>Legend of the Seas Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Liberty of the Seas Inc.</td>
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<tr>
<td>Majesty of the Seas Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Mariner of the Seas Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Millennium Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Navigator of the Seas Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Nordic Empress Shipping Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Oasis of the Seas Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Oceanadventures S.A.</td>
<td>Ecuador</td>
</tr>
<tr>
<td>Ovation of the Seas Inc.</td>
<td>Liberia</td>
</tr>
</tbody>
</table>
Exhibit 21.1

<table>
<thead>
<tr>
<th>NAME</th>
<th>INCORPORATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantum of the Seas Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Radiance of the Seas Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>RCL Cruises Ltd.</td>
<td>England and Wales</td>
</tr>
<tr>
<td>RCL GEO LLC</td>
<td>Florida</td>
</tr>
<tr>
<td>RCL Holdings Cooperatief U.A.</td>
<td>Netherlands</td>
</tr>
<tr>
<td>RCL Horizon LLC</td>
<td>Liberia</td>
</tr>
<tr>
<td>RCL Investments Ltd.</td>
<td>England and Wales</td>
</tr>
<tr>
<td>RCL Monarch LLC</td>
<td>Liberia</td>
</tr>
<tr>
<td>RCL Sovereign LLC</td>
<td>Liberia</td>
</tr>
<tr>
<td>RCL (UK) Ltd.</td>
<td>England and Wales</td>
</tr>
<tr>
<td>RCL Worldwide (Hong Kong) Ltd.</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>RCL Worldwide Ltd.</td>
<td>Liberia</td>
</tr>
<tr>
<td>RCL Zenith LLC</td>
<td>Liberia</td>
</tr>
<tr>
<td>Rhapsody of the Seas Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Royal Caribbean Cruise Lines AS</td>
<td>Norway</td>
</tr>
<tr>
<td>Royal Caribbean Cruises (Asia) Pte. Ltd.</td>
<td>Singapore</td>
</tr>
<tr>
<td>Royal Caribbean Cruises Services (China) Company Limited</td>
<td>China</td>
</tr>
<tr>
<td>Serenade of the Seas Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Societe Labadee Nord, S.A.</td>
<td>Haiti</td>
</tr>
<tr>
<td>Summit Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Torcatt Enterprises S.A.</td>
<td>Costa Rica</td>
</tr>
<tr>
<td>TourTrek SEZC Ltd.</td>
<td>Cayman Islands</td>
</tr>
<tr>
<td>Vision of the Seas Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>Voyager of the Seas Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>White Sand Inc.</td>
<td>Liberia</td>
</tr>
<tr>
<td>XP Tours S.A.</td>
<td>Ecuador</td>
</tr>
</tbody>
</table>
CONSENT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-202262) and Forms S-8 (Nos. 333-202263, 333-170170, 333-157097, 333-84982, 333-84980, 333-42070, 333-42072 and 33-71956) of Royal Caribbean Cruises Ltd. of our report dated February 23, 2017 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Miami, Florida
February 23, 2017
January 23, 2017

Royal Caribbean Cruises Ltd.
1050 Caribbean Way
Miami, FL 33132

Re: Form 10-K for Year Ended December 31, 2016

Dear Sirs and Mesdames:

You have asked for our opinion on certain U.S. Federal income tax matters relating to Royal Caribbean Cruises Ltd. (the “Company”). With respect to questions of fact material to this opinion, we have, when relevant facts were not independently established, relied upon information provided by representatives of the Company and of shareholders of the Company.

Certain Factual Assumptions

In issuing our opinion, we have relied upon representations and/or publicly available information that:

(1) the Company and its direct and indirect wholly-owned subsidiaries that own, charter or operate a ship or ships consist of (a) corporations formed under the laws of Liberia, (b) a United Kingdom company (the “UK Disregarded Entity”) for which a valid and timely election was filed with the Internal Revenue Service (the “IRS”) on Form 8832 to be classified as a pass-through entity for U.S. Federal income tax purposes, and the equity interests in which are owned entirely by the Company, and (c) an Ecuadorian corporation (the “Ecuador Subsidiary”) that owns and operates a ship used for Galapagos Islands cruises that are conducted entirely outside the United States;

(2) the common stock of the Company is the Company’s only outstanding class of stock;

(3) all outstanding shares of common stock of the Company are listed for trading on the New York Stock Exchange (the “NYSE”), where those shares are regularly quoted by dealers making a market in the stock (by regularly and actively offering to make, and making, purchases and sales of such shares in the ordinary course of business to and from customers who are not related persons with respect to the dealers), and Company shares are not traded on any non-U.S. securities market;

(4) trades of Company common stock are effected on the NYSE in other than de minimis quantities on at least 60 days during each year, and the aggregate number of such shares traded on the NYSE each year equals or exceeds 10% of the average number of shares of Company common stock outstanding during the year;
(5) the NYSE is a national securities exchange that is registered under section 6 of the Securities Act of 1934;

(6) more than 50% of the outstanding shares of Company common stock are (and will be for at least 183 days during the current year) owned by persons each of whom owns less than 5% of such outstanding shares (treating as one person for this purpose any two or more persons who are related within the meaning of section 267(b) of the Internal Revenue Code of 1986, as amended (the “Code”)), and no such shares are in bearer form;

(7) the Company’s certificate of incorporation precludes any person from acquiring more than 4.9% of the outstanding shares of Company’s common stock (treating as one person for this purpose any two or more persons who are related within the meaning of Code section 267(b)), except that this restriction does not apply to existing 5% shareholders of the Company and may not apply, under Liberian law, to shares that were not voted in favor of the adoption of such restriction; and

(8) the Company and each relevant subsidiary will comply with all applicable substantiation and reporting requirements set forth in Treasury Regulation §1.883-1(c)(3).

Discussion

Under Code section 883, certain foreign corporations are exempt from Federal income or branch profits tax on 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) (a) more than 50% of the value of the corporation’s capital stock is owned, directly or indirectly, by individuals who are residents of a foreign country or countries that grant such an equivalent exemption to corporations organized in the United States or (b) 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 or another qualifying country.

The Company and each direct and indirect wholly-owned subsidiary that owns, charters or operates a ship or ships will meet the requirements of clause (1) above because Liberia and Ecuador are countries that grant an equivalent exemption for all relevant categories of international shipping income. (For this purpose, the Company will be treated as the owner or operator of all ships owned or operated by the UK Disregarded Entity.)

With respect to the requirements of clause (2)(b) above, regulations and other guidance under Code section 883 set forth the tests applicable to determine whether
a corporation’s shares of stock should be considered “primarily and regularly traded on an established securities market” in the United States or another qualifying country.

The Company’s shares are traded on an established securities market in the United States. The NYSE constitutes an established securities market for purposes of section 883 because it is a “national securities exchange that is registered under section 6 of the Securities Act of 1934.”

The Company’s shares are considered “primarily” traded on the NYSE because the number of such shares traded on the NYSE during the year exceeds the number of such shares traded on any other established securities market during that year.

Stock will generally be considered “regularly traded” on a securities market if trades in more than de minimis quantities occur on the market on at least sixty days of the year, and the annual trading volume on the market equals or exceeds 10% of the outstanding shares. The Company’s shares meet this test with respect to the NYSE. The Company’s shares also meet an alternative basis for such a conclusion with respect to the NYSE, inasmuch as the stock is regularly quoted by dealers making a market in the stock.

If, for at least half the number of days in the year, 50% or more of a corporation’s outstanding shares are owned by 5% or greater shareholders other than registered investment companies (a “closely-held group”), the regulations under Code section 883 provide that the shares generally will fail to be treated as “regularly traded” unless the corporation can identify sufficient qualified direct or indirect shareholders within the closely-held group as to reduce to 50% or less the aggregate shares owned by the closely-held group that are not owned, directly or indirectly, by qualified shareholders. Less than 50% of the Company’s outstanding shares are owned by such 5% or greater shareholders, so the Company is not disqualified by reason of the closely-held exception. The restriction in the Company’s certificate of incorporation described in paragraph (7) above is designed to ensure that this will continue to be the case.

Conclusion

Based upon, and subject to the factual representations and assumptions described above, and the legal authorities and limitations set forth below, it is our opinion that the income of the Company, and its direct and indirect wholly-owned subsidiaries that own, charter or operate a ship or ships, to the extent derived from or incidental to the operation of a ship or ships, is exempt from Federal income tax pursuant to Code section 883.

* * * * *

This opinion represents our best legal judgment, but it has no binding effect or official status of any kind, and no assurance can be given that contrary positions
may not be taken by the IRS or a court considering the issues. We express no opinion relating to any Federal income tax matter except on the basis of the facts described above, and any changes in such facts could require a reconsideration and modification of our opinion. We also express no opinion regarding tax consequences under foreign, state or local laws. In issuing our opinion, we have relied solely upon existing provisions of the Code, existing and proposed regulations under it, and current administrative positions and judicial decisions. Those laws, regulations, administrative positions and judicial decisions are subject to change at any time. Any such changes could affect the validity of the opinion set forth above. Also, future changes in Federal tax laws and the interpretation thereof can have retroactive effect.

Our firm includes lawyers admitted to practice in the Commonwealth of Pennsylvania, the States of California, Delaware, Illinois, New Jersey and New York, and the District of Columbia. We do not purport to be experts in the laws of any other jurisdiction, aside from U.S. Federal law.

Very truly yours,

/s/ DRINKER BIDDLE & REATH LLP

DRINKER BIDDLE & REATH LLP
POWER OF ATTORNEY

DIRECTORS OF
ROYAL CARIBBEAN CRUISES LTD.

The undersigned directors of Royal Caribbean Cruises Ltd., a Liberian corporation (the “Company”), hereby constitute and appoint Richard D. Fain and Jason T. Liberty and each of them (with full power to each of them to act alone), the true and lawful attorneys-in-fact and agents for the undersigned, and on behalf of the undersigned and in the name, place and stead of the undersigned, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 to be filed by the Company with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, and any and all amendments, applications, or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratify and confirm all that said attorneys-in-fact and agents may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 23rd day of February 2017.

/s/ John F. Brock
John F. Brock
Director

/s/ William K. Reilly
William K. Reilly
Director

/s/ William L. Kimsey
William L. Kimsey
Director

/s/ Bernt Reitan
Bernt Reitan
Director

/s/ Maritza G. Montiel
Maritza G. Montiel
Director

/s/ Vagn O. Sørensen
Vagn O. Sørensen
Director

/s/ Ann S. Moore
Ann S. Moore
Director

/s/ Donald Thompson
Donald Thompson
Director

/s/ Eyal Ofer
Eyal Ofer
Director

/s/ Arne Alexander Wilhelmsen
Arne Alexander Wilhelmsen
Director

/s/ Thomas J. Pritzker
Thomas J. Pritzker
Director
CERTIFICATIONS

I, Richard D. Fain, certify that:

1. I have reviewed this annual report on Form 10-K of Royal Caribbean Cruises Ltd.;

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

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

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 23, 2017

/s/ Richard D. Fain

Richard D. Fain
Chairman and
Chief Executive Officer
(Principal Executive Officer)
CERTIFICATIONS

I, Jason T. Liberty, certify that:

1. I have reviewed this annual report on Form 10-K of Royal Caribbean Cruises Ltd.;

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

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

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

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

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

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

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

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

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

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

Date: February 23, 2017

/s/ Jason T. Liberty

Jason T. Liberty
Chief Financial Officer
(Principal Financial Officer)
In connection with the annual report on Form 10-K for the year ended December 31, 2016 as filed by Royal Caribbean Cruises Ltd. with the Securities and Exchange Commission on the date hereof (the “Report”), Richard D. Fain, Chairman and Chief Executive Officer, and Jason T. Liberty, Chief Financial Officer, each hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Royal Caribbean Cruises Ltd.

Date: February 23, 2017

By: /s/ Richard D. Fain
Richard D. Fain
Chairman and
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Jason T. Liberty
Jason T. Liberty
Chief Financial Officer
(Principal Financial Officer)