

Registered no: 07366612

RCL CRUISES LTD

**Annual report and financial statements
for the year ended 31 December 2020**

RCL CRUISES LTD

Annual report and financial statements for the year ended 31 December 2020

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RCL CRUISES LTD

Directors and advisers

Directors

RG Marshall
B Bouldin
M Kasselas
J Rzymowska
L Landis

Company secretary

RG Marshall

Registered office

3 The Heights
Brooklands
Weybridge
Surrey
KT13 ONY

Independent auditors

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Chartered Accountants and Statutory Auditors
The Portland Building
25 High Street
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West Sussex
RH10 1BG

Bankers

JP Morgan Chase Bank
1 Chaseside
Bournemouth
Dorset
BH7 7DA

RCL CRUISES LTD

Strategic report for the year ended 31 December 2020

Strategy and future developments

RCL Cruises Ltd (the “Company”) is a cruise ship operator, ship charterer and a sales and marketing representative for the Royal Caribbean International and Celebrity Cruises brands on behalf of the Royal Caribbean Cruises Ltd (“RCL”) group (“the Group”). In 2020, the Company also served the Azamara Cruises brand prior to the sale of the brand by RCL to a third party in March of 2021.

Currency fluctuations and continuing uncertainty over the performance of global economies continue to challenge the business. The Company’s turnover reduced by 82% in 2020 over 2019, compared to an increase of 0.8% in 2019 over 2018. This result reflects the staggering impact that the COVID-19 pandemic brought to the Company and the whole industry during 2020. The outbreak of COVID-19 has resulted in an unprecedented global response to contain the spread of the disease. These global efforts have resulted in travel restrictions and created significant uncertainty regarding worldwide port closures and availability of ports and destinations generally. In response to the COVID-19 outbreak, the cruise brands under the Group suspended their global sailings effective March 2020. The Group has restarted global cruise operations in a phased manner, following the requirements and recommendations of regulatory agencies, with reduced guest occupancy, modified itineraries and enhanced health, safety and vaccination protocols.

Uncertainties remain as to the specifics, timing and costs of administering and implementing the Group’s health and safety measures, some of which may be significant. Based on the Group’s assessment of these requirements and recommendations, the status of COVID-19 infection and/or vaccination rates in the U.S. or globally or for other reasons, the Group may determine it necessary to cancel or modify certain of its cruise sailings. We believe the impact to the Group and Company’s global bookings resulting from COVID-19 will continue to have a material negative impact on the Company’s results of operations and liquidity, which may be prolonged beyond containment of the disease and its variants.

On the 5th of August 2021, the Group announced that it anticipated having 80% of its fleet in service by end of year 2021. Overall booking volumes have improved, and pricing remains strong. During the second quarter of 2021, the Group received about 50% more new bookings compared to the first quarter of 2021 with trends improving from one month to the next. Booking activity for 2021 sailings is consistent with the Group’s expected capacity and occupancy ramp up, at prices that are higher than in 2019.

While it is too early to make any definitive conclusions of the impact of the Delta or other variants on bookings, the Group has seen a modest impact on closer-in bookings. However, 2022 continues to remain strong; in particular the spring and summer months are performing well.

As of June 30, 2021 the Group’s customer deposits increased compared to its March 31, 2021 balance and less of the customer deposit balance is related to future cruise credits from the prior quarter, indicating net new demand.

The Company will continue to operate its ships as part of Group and will continue to provide sales and marketing services to its fellow Group companies.

As the Company continues to ramp up operations, it expects to incur incremental spend related to bringing ships back to operating status, returning crew members to ships and implementing enhanced health and safety protocols. It also expects to continue to collect deposits related to those sailings and for future cruises. The decision to bring ships back into service considers many variables, including deployment opportunities, commercial potential, cost of operations and cash flow. At the end of 2020, the Company operated 16 ships at various levels of lay-up under the Royal Caribbean International and Celebrity Cruises brands. During 2020, *Anthem of the Seas* and *Serenade of the Seas* entered the Company’s fleet and *Celebrity Constellation* left the Company’s fleet.

From time to time the Company has historically entered into time charters for some of these ships with Group companies for periods as agreed by both parties.

In addition, the Company continues to manage its portfolio of investments, generating investment income during the year.

RCL CRUISES LTD

Strategic report for the year ended 31 December 2020 (continued)

Objectives

The Company's principal operating strategies remain consistent with our historical strategies, yet have been affected by the vast impact that the COVID-19 pandemic has had, and will continue to have, on our Company's operations. While we resume operations, we will continue to prioritize those operating strategies that support the healthy and safe return to cruising globally for guests and crew and the communities visited, enhance our liquidity and position us for recovery.

Our Company's operating focus is as follows:

- protect the health, safety and security of our guests and employees,
- support the healthy return of cruising globally along with our industry partners, including national and local governments and regulators, the communities in which the Company operates, other cruise companies, shipyards, guests and trade partners,
- protect the environment in which our vessels and organisation operate,
- invest in our workforce in order to better serve our global guest base and grow our business and promote gender equality, diversity and inclusion,
- strengthen our consumer engagement in order to enhance our revenues,
- increase the awareness and market penetration of our brands globally,
- strategically invest in our fleet through the upgrade and maintenance of existing ships and the transfer of key innovations, while prudently expanding our fleet with new state-of-the-art cruise ships,
- focus on cost control and efficiency, manage our operating expenditures and ensure adequate cash and liquidity, with the overall goals of sustaining our operations and being well positioned for recovery and of maximising our return on invested capital and long-term shareholder value,
- capitalise on the portability and flexibility of our ships by deploying them into those markets and itineraries that provide opportunities to optimise returns, while continuing our focus on existing key markets,
- provide extraordinary destination experiences and state-of-the-art port facilities to our guests,
- continue to integrate digital technological capabilities, data analytics and artificial intelligence into our operations to service customer preferences and expectations in an innovative manner, create efficiencies and enhance employee satisfaction, and
- maintain strong relationships with travel agencies, which continue to be the principal industry distribution channel, while enhancing our consumer outreach programs.

Key Performance Indicators

The key financial and other performance indicators during the year are shown below. The nature of the business of the Company is such that it is integrated with that of the RCL Group as a whole and further information can be found in RCL's 10-K for the year ended 31 December 2020, which does not form part of this report. Details of where the 10-K can be obtained are included in the controlling parties note on page 52 of these financial statements.

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Strategic report for the year ended 31 December 2020 (continued)

	2020 \$'000s	2019 \$'000s
Annual Turnover	552,829	2,988,486
Operating (Loss) / Profit	(1,085,683)	267,493
Number of ships operated by Company at year end	16	15

Turnover reduced by 82% during the year, primarily due to the suspension of the Company's operations in 2020.

Although discussed in prior periods, the Company has not reported nor reconciled in this report their Net Revenue Yield Improvement/Reduction and Net Cruises Costs per Average Passenger Cruise Days. Historically, the Company has utilized these financial metrics to measure relevant rate comparisons to other periods. However, the 2020 reduction in capacity and revenues and the shift in the nature of running costs due to the suspension of the operations as a result of the COVID-19 pandemic ("COVID-19") do not allow for a meaningful comparison to the prior period metrics and as such these metrics have been excluded from these financial statements.

The Company has focused on other performance measures, mainly based on cost control. The Company took significant actions to reduce operating expenses during the suspension of its global cruise operations. In particular, the company:

- reduced ship operating expenses as the Company's ships transitioned during the year into various levels of layup;
- significantly reduced marketing and selling expenses in 2020, which decreased by 68% and 74% respectively; and
- reduced and furloughed its workforce. Amount furloughed was \$551k.

The operating loss is substantially due to the reduction in Turnover during the year. Cost of sales and other operating expenses decreased by 78% and 71%, respectively. Ship Operating Expenses decreased by only 27% compared to 2019 due to incremental costs as a result of COVID-19 such as sailing and tours cancellations, crew repatriation, food and inventory losses and other costs regarding ship maintenance. This result reflects the staggering impact that the COVID-19 pandemic brought to the Company and the whole industry during 2020.

Business Model

During the Company's resumption of operations, it will focus on its healthy return to service to restore global passenger demand in cruising. In the long term, the Company will restore and grow its business by focusing on international guest sourcing, particularly from the global markets, optimally deploying its ships and providing a wide variety of itineraries and on-board activities for its guests. Reference should be made to the earlier discussion on the challenges posed by the impact of the COVID-19 outbreak in 2020.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered below:

Strategic report for the year ended 31 December 2020 (continued)

Principal risks and uncertainties (continued)

The global COVID-19 pandemic has had, and will continue to have, a material adverse impact on our business and results of operations. The global spread of COVID-19 and the unprecedented responses by governments and other authorities to control and contain the spread has caused significant disruptions, created new risks, and exacerbated existing risks to our business.

We have been, and will continue to be, negatively impacted by the COVID-19 pandemic, including impacts that resulted from actions taken in response to the outbreak including the occurrence and spread of related variants. Examples of these include, but are not limited to, travel bans and cruising advisories and the resulting temporary suspension of the group's cruise operations, and from which we have resumed limited operations; restrictions on the movement and gathering of people, social distancing measures, shelter-in-place/stay-at-home orders, and disruptions to businesses in our supply chain. In addition to the imposed restrictions affecting our business, the extent, duration, and magnitude of the COVID-19 pandemic's effect on the economy and consumer demand for cruising and travel is still rapidly fluctuating and difficult to predict. As such, these impacts may persist for an extended period of time or even become more pronounced, even after we are permitted to and/or begin to resume operations.

The COVID-19 pandemic also has elevated risks affecting significant parts of our business:

- **Operations:** Our voluntary suspension of our global cruise operations commenced in March 2020 in response to the COVID-19 outbreak. We have restarted our global cruise operations in a phased manner, following the requirements and recommendations of regulatory agencies, with reduced guest occupancy, modified itineraries and enhanced health, safety and vaccinations protocols.

There is no assurance that our plan to resume operations will be successful and without material setbacks, including our ability to conduct sailings in consideration the requirements and recommendations of regulatory agencies. It is possible that future COVID-19 outbreaks could occur onboard and, even if controlled and contained, it is uncertain as to whether we will need to suspend additional sailings and to what extent in such event. An outbreak could result in possible illness among our guests and crew, incremental costs, guest refunds and negative publicity and media attention. In addition, we may face challenges in executing our return to service plans from new homeports as a result of new and evolving operating protocols, including the impact of state regulations and litigation regarding proof of passenger vaccination, and possible changes in regulations in the countries in which we operate and plan to operate.

Uncertainties remain as to the specifics, timing and costs of administering and implementing our health and safety measures, some of which may be significant. Based on our assessment of these requirements and recommendations, the status of COVID-19 infection and/or vaccination rates in the U.S. or globally or for other reasons, we may determine it necessary to cancel or modify certain of our Global Brands' cruise sailings. We believe the impact to our global bookings resulting from COVID-19 will continue to have a material negative impact on our results of operations and liquidity, which may be prolonged beyond containment of the disease and its variants.

Our previous suspension of sailings and our gradual resumption of operations has led to a significant decline in our revenues and cash inflows, which required us to take cost and capital expenditure containment actions. Consequently, we reduced and furloughed some of our workforce and, except for the minimum safe manning shipboard crew required to operate our ships, our shipboard crew are gradually being notified about new assignments as operations resume over time. As a result of these actions, we may be challenged in rebuilding and vaccinating the rest of our workforce which could further delay our resumption of operations. Furthermore, our efforts to vaccinate returning crew members could be hindered if vaccine availability does not keep pace with the timing of our phased resumption of operations. In addition, the Group has reduced its planned capital spending through 2021, which may negatively impact or delay our execution of planned growth strategies, particularly as it relates to investments in our ships, technology, and our expansion of land based developments. We also have taken actions to monitor and mitigate changes in our supply chain, and port destination availability, which may strain relationships with our vendors and port partners.

Strategic report for the year ended 31 December 2020 (continued)

Principal risks and uncertainties (continued)

If we are unable to satisfy the guidance and recommendations of the Conditional Order, our operations may be negatively impacted and we could be exposed to reputational and legal risks. Due to the unprecedented and uncertain nature of the COVID-19 pandemic, it is difficult to predict the impact of further disruptions and their magnitude. The impact of further disruptions may depend on how they coincide with the timing of when we seek to resume sailing. In addition, we have never previously experienced a complete cessation of our cruising operations, and as a consequence, our ability to predict the impact of such a cessation on the group brands and future prospects is limited and such impact is uncertain.

- **Results of Operations:** The Group's suspension of sailings materially impacted the results of our operations. We have incurred and will continue to incur significant costs associated with cancellations as we accommodate passengers with future cruise credits. In addition, we have incurred and will likely continue to incur significant overhead costs associated with layup of our fleet that have not resumed operations and enhanced COVID-19 related sanitation procedures. We may experience volatility in demand for cruising for an indeterminable length of time due to the uncertain nature of the COVID-19 pandemic and to ongoing concerns about health and safety, and we cannot predict when we will return to pre-outbreak demand or fare pricing or if we will return to such levels in the foreseeable future. In turn, these negative impacts to our financial performance have resulted and may continue to result in impairments of our long-lived and intangible assets, which has influenced our decision making relating to early disposal, sale or retirement of assets. Following the resumption of operations, our Global Brands and our Partner Brands may be subject to the continued impact of the COVID-19 pandemic. Additionally, any future profitability will be impacted by increased debt service costs as a result of our liquidity actions.

- **Liquidity:** The suspension of the Group's sailings and the reduction in demand for future cruising has adversely impacted our liquidity as we experienced a significant increase in refunds of customer deposits while cash inflows from new or existing bookings on future sailings reduced sharply. As a result, the Parent company has taken actions to increase liquidity through a combination of capital and operating expense reductions and financing activities. For instance, during the year ended December 31, 2020, it executed and amended various financing arrangements which resulted in a \$0.6 billion increase in its revolving credit facilities; additional liquidity of \$6.7 billion with the issuance of new debt, net of repayments, and the securing of two-year \$700 million commitment for a 364-day term loan facility; £300.0 million of available and issued liquidity under a government commercial paper program with the Bank of England, which has subsequently been repaid; the deferral of \$0.9 billion of existing ship debt facility amortization through April 2021; and the issuance of 22.6 million shares of common stock for approximately \$1.6 billion. In addition, in March 2021 RCL extended its \$1.0 billion unsecured loan due April 2022 and its \$1.6 billion unsecured revolving credit facility due October 2022 to October 2023 and April 2024, respectively and in June 2021 completed the issuance of \$650m secured loan notes.

The Company continues to identify and evaluate further actions to improve its liquidity. These include, and are not limited to, further reduction in capital expenditures, operating expenses and administrative costs and additional financings.

However, due to the complexity of the pandemic's impact to the economy and uncertainty of its duration or potential additional governmental and self-imposed travel restrictions, we cannot guarantee that assumptions used to project our liquidity needs will be correct, which may result in the need for additional funding.

Other Operational risks

Disease outbreaks and an increase in concern about the risk of illness could adversely impact our business and results from operations.

Disease outbreaks and increased concern related to illness when travelling to, from, and on our ships could cause a drop in demand for cruises, guest cancellations, travel restrictions, an unavailability of ports and/or destinations, cruise cancellations, ship redeployments and an inability to source our crew, provisions or supplies from certain places. Due to the complex and evolving nature of the COVID-19 pandemic we cannot predict the duration of the effect of the current

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Strategic report for the year ended 31 December 2020 (continued)

Principal risks and uncertainties (continued)

pandemic, and the magnitude is dependent on the development of future events and responses from governments, other authorities, and individual consumers. Our industry, including our passengers and crew, may be subject to enhanced health and safety requirements in the future which may be costly and take a significant amount of time to implement across our fleet and we may be subject to concerns that cruises are susceptible to the spread of infectious diseases such as COVID-19.

Incidents on ships, at port facilities, land destinations and/or affecting the cruise vacation industry in general, and the associated negative media coverage and publicity, could affect our reputation and impact our sales and results of operations.

The operation of cruise ships involves the risk of accidents, illnesses, mechanical failures, environmental incidents and other incidents which may bring into question safety, health, security and vacation satisfaction and can negatively impact our sales, operations and reputation. Incidents involving cruise ships, and, in particular the safety, health and security of guests and crew and the media coverage thereof, including those related to the COVID-19 pandemic, have impacted and could continue to impact demand for our cruises and pricing in the industry. The Company's reputation and business could also be damaged by negative publicity regarding the cruise industry in general, including publicity regarding the spread of contagious disease such as COVID-19, over-tourism in key ports and destinations and the potentially adverse environmental impacts of cruising. The considerable expansion in the use of social and digital media over recent years has compounded the potential scope and reach of any negative publicity. If any such incident or news cycle occurs during a time of high seasonal demand, the effect could disproportionately impact the Company's results of operations for the year.

In addition, incidents involving cruise ships may result in additional costs to the Company's business, increasing government or other regulatory oversight and, in certain cases, potential litigation.

Significant weather, climate events and/or natural disasters could adversely impact our business and results from operations.

Natural disasters (e.g. earthquakes), weather and/or climate events (including hurricanes and typhoons) could impact the Company's source markets and operations resulting in travel restrictions, guest cancellations, an inability to source our crew or our provisions and supplies from certain places. The Company is often forced to alter itineraries and occasionally cancel a cruise or a series of cruises or to redeploy ships due to these types of events, which could have an adverse effect on the Company's, operating costs and profitability in the current and future periods. Increases in the frequency, severity or duration of these types of events could exacerbate their impact and cause further disruption to the Company's operations or make certain destinations less desirable or unavailable, impacting the Company's revenues and profitability further. Any of the foregoing could have an adverse impact on the Company's results of operations and on industry performance.

Tax legislation

The Company has elected to be subject to the United Kingdom tonnage tax regime. Changes in the corporation tax laws could result in higher income taxes being charged against our cruise operations and impact the Company's profitability.

Foreign legislation

The Company is subject to various international, national, state and local laws, regulations and treaties that govern, amongst other things, discharge from the Company's ships, safety standards applicable to the Company's ships, treatment of disabled persons, health and sanitary standards applicable to the Company's guests, security standards on board the

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Strategic report for the year ended 31 December 2020 (continued)

Principal risks and uncertainties (continued)

Foreign legislation (continued)

Company's ships and at the ship/port interface areas, and financial responsibilities to the Company's guests. These issues are, and the directors 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 the Company to an increase in compliance costs in the future.

Economic and geopolitical conditions

The demand for cruises is affected by international, national, and local economic conditions. Weak or uncertain economic conditions may impact consumer confidence and pose a risk as vacationers may postpone or reduce discretionary spending. Given the global nature of our business, we are exposed to many different economies and our business could be hurt by challenging conditions in any of our markets. Any significant deterioration of international, national, or local economic conditions, including those resulting from geopolitical events and/or international disputes and the current economic and employment impact of the COVID-19 pandemic in countries where many of our customers reside could result in a prolonged period of booking slowdowns, depressed cruise prices and/or reduced onboard revenues, even after the COVID-19 pandemic has ended and/or related health and safety concerns are reduced. Additionally, uncertainties resulting from the United Kingdom's recent exit from European Union may impact our business.

Competition

The Company operates in the vacation market and cruising is one of many alternatives for people choosing a vacation. The Company therefore risks 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.

The Company faces significant competition from other cruise lines on the basis of cruise pricing, travel agent preference and also in terms of the nature of ships, services and destinations that the Company offers to guests. The Company's 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 American 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. The Company's revenues are sensitive to the actions of other cruise lines not only on the Company's revenues, but on overall industry revenues.

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

The Company increases brand awareness and market penetration of its cruise brands in various ways, including the use of communication strategies and marketing campaigns designed to emphasise the qualities of each brand and to broaden the awareness of the brand, especially among target groups. The Company's marketing strategies include the use of travel agencies, traditional media, mobile and digital media as well as social media, influencers and brand websites.

Financial risk management

The Company's operations expose it to a variety of financial risks that include price risk, liquidity risk, interest rate cash flow risk and foreign exchange rate risk. The Company has in place a risk management programme that seeks to limit adverse effects of these risks on the financial performance of the Company. Reference should also be made RCL's 10-K for the year ended 31 December 2020, which does not form part of this report, for financial risk factors affecting the RCL group.

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Strategic report for the year ended 31 December 2020 (continued)

Financial risk management (continued)

Price risk

The Company's operating costs, including fuel, food, payroll and benefits, airfare, taxes, insurance and security costs are all subject to increases due to market forces and economic or geo-political conditions or other factors beyond the Company's control, including as a result of rerouting itineraries due to ports closing or not accepting passengers in connection with COVID-19 pandemic. Increases in these operating costs could adversely affect the Company's profitability.

RCL uses a range of financial instruments including fuel swap agreements to mitigate the financial impact of fluctuations in fuel prices, across the entire RCL fleet, for which the Company receives an appropriate share of the benefit or charge.

Liquidity risk

Please refer to discussion on liquidity risk in "Principal Risks and Uncertainties – COVID-19" section above.

Interest rate cash flow risk

The Company has interest bearing assets and liabilities, comprising cash and balances due from and to Group companies, which earn interest at market rates.

Foreign exchange rate risk

The Company is 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 the Company's financial results. The

Company's operating results have been and will continue to be impacted, often significantly, by changes in each of these factors.

The Company conducts its business internationally, which exposes it to foreign exchange risks. The Company does not use derivative financial instruments to manage foreign currency rate risk, and as such, no hedge accounting is applied.

The directors will revisit the appropriateness of the above policies should the Company's operations change in size or in nature.

Corporate Governance

For financial years commencing on or after 1 January 2019, large companies as defined by the Companies Act 2006 are required to explain how directors have considered and applied their statutory duty to promote the success of the company under Section 172 of the Act. Please see page 13 for our Section 172 (s.172) statement

Results

The Company recorded turnover of \$553m (31 December 2019: \$2,988m) and a loss before taxation of \$1.094m (31 December 2019: a profit of \$469.5m) for the year.

In common with other UK shipping companies, RCL Cruises Ltd's shipping profits are taxed under the UK tonnage tax regime. All other profits are taxed under Corporation tax at a standard rate of 19.00%.

The Company had accumulated losses of \$403.2m (2019: retained earnings of \$689.8m) at the end of the year.

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Strategic report for the year ended 31 December 2020 (continued)

On behalf of the Board

RG Marshall

RG Marshall
Director

Date: 30/09/21

Lisa J. Landis

L Landis
Director

Date: 30/09/21

RCL CRUISES LTD

Directors' report for the year ended 31 December 2020

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2020.

Financial risk management and future developments

The Company's future developments are discussed in the Strategic report on page 4 and Financial risk management on page 10.

Dividend payable has not been approved for the year 2020 (2019: \$200m).

As a result of the coronavirus outbreak, Royal Caribbean Cruises Ltd announced the global suspension of sailings of the Group's fleet at midnight on the 13 March 2020. The Group has restarted global cruise operations in a phased manner, following the requirements and recommendations of regulatory agencies, with reduced guest occupancy, modified itineraries and enhanced health, safety and vaccination protocols. On the 5th of August 2021, the Group announced that it anticipated having 80% of its fleet in service by end of year 2021. Overall bookings volumes have improved, and pricing remains strong. During the second quarter of 2021, the Group received about 50% more new bookings compared to the first quarter of 2021 with trends improving from one month to the next. Booking activity for 2021 sailings is consistent with the Group's expected capacity and occupancy ramp up, at prices that are higher than in 2019.

However, there are still too many variables and uncertainties regarding the impact of this outbreak on the Company's business to reasonably forecast the full impact on the business, including what the yields and earnings for 2021 will be. These concerns and restrictions over the outbreak are likely to continue to have a material impact on our overall financial performance.

Directors

The directors who held office during the year and up to the date of signing these financial statements were:

RG Marshall	
M Kasselas	
J Allt	Resigned 23 October 2020
B Bouldin	Appointed 20 April 2020
S Leven	Resigned 23 June 2020
J Rzymowska	Appointed 20 April 2020
L Landis	Appointed 14 December 2020
GS Smith	Resigned 20 February 2020

The Company had directors' indemnity insurance in place during the year.

Branches outside the United Kingdom

The Company has the following branches outside the United Kingdom:

Australia
Denmark
Finland
France
Germany
Italy
New Zealand
Norway
Spain
Sweden

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Directors' report for the year ended 31 December 2020 (continued)

Corporate Governance

For financial years commencing on or after 1 January 2019, large companies as defined by the Companies Act 2006 are required to explain how directors have considered and applied their statutory duty to promote the success of the company under Section 172 of the Act. This section serves as our Section 172 (s.172) statement.

Employees

It is the Company's policy not to discriminate against any employee or applicant with regard to any terms or conditions of employment because of an individual's disability or perceived disability so long as the employee can perform the essential functions of the job.

The Company will provide reasonable accommodations to an individual with a disability provided that such accommodation does not constitute an undue hardship on the Company. In the event of any staff becoming disabled while with the Company, their needs and abilities would be assessed and the Company would, where possible, seek to offer alternative employment to them if they were no longer able to continue in their current role.

Management regularly updates employees through a variety of media regarding the Company's business progress. There is regular consultation with employees so that the employees' views may be taken into account in making decisions that are likely to affect their interests.

Travel agent support and consumer outreach

Travel agencies continue to be the primary source of ticket sales for the Company's ships. The Company believes in the value of this distribution channel and invest in maintaining strong relationships with the Company's travel partners. To accomplish this goal, the Company seeks to ensure that the commission rates and incentive structures remain competitive with the marketplace. The Company continuously works with travel agencies to sell upgrades and add-ons such as air and pre-cruise purchases to improve the retention and profitability of the channel. The Company provides brand dedicated sales representatives who serve as consultants to travel partners. The Company also provides trained customer service representatives, call centres and online training tools.

In addition, the Company continues to operate a Consumer Outreach department, which provides consumers 24-hour access to vacation planners and customer service agents in the Company's call centres. In addition, the Company maintains and invests in our websites, including mobile applications and mobile websites. The Company enables our guests to communicate and book with us through various channels such as phone, web, chat, text message, and/or email.

Protecting the environment

The Company is focused on the environmental health of the marine environment and communities in which it operates. This includes reducing our carbon footprint through the energy and carbon efficiencies included in the design of new capacity, ongoing energy management program on existing fleet and the development of new technologies.

Streamlined energy and carbon emissions reporting

The Company is subject to various international and national laws and regulations relating to environmental protection within sailing activities. 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.

Directors' report for the year ended 31 December 2020 (continued)

Streamlined energy and carbon emissions reporting (continued)

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.

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), in addition to other regional and national regulations such as EU Directives and the US Vessel General Permit, which includes requirements designed to minimize pollution by oil, sewage, garbage, air emissions and the transfer of non-native/non-indigenous species. The Group has obtained the relevant international compliance certificates relating to oil, sewage, air pollution prevention and ballast water for all our ships.

We report for the first time our carbon emissions following the Greenhouse Gas Protocol, which incorporates the scope 1 and 2 emissions methodology in accordance with UK Government's Streamlined Energy and Carbon Reporting ('SECR').

Green House Gas (GHG) Emissions	2020 UK	2020 Global	2020 Total tCO2e
Scope 1			
Emissions from activities for which the Company owns or controls. (Direct GHG emissions) (tCO2e)	-	912,882	912,882
Scope 2			
Emissions from the purchase of electricity, heat, steam and cooling purchased for the Company's use. (Indirect GHG emissions) (tCO2e)	91	-	91
Total tCO2e	91	912,882	912,973
Energy consumption used in kWh	388,894	3,239,357,691	3,239,746,585
Intensity Ratio:			
Total Available lower berth-kilometer			2,930,809,188
Total tCO2e per ALB-KM (tCO2e)			0.000312

Scope 1 covers direct combustion of all types of fuels, collected onboard each ship through the voyage reporting system following the requirements of IMO's data collection system and the GHG protocol and loss of refrigerants, collected onboard each ship through the MARPOL Annex VI Log Book, from ships owned by the company. The report includes the global emissions and local emissions which are all emissions generated based on voyages starting and/or ending in UK. Due to the suspension of our cruises operations as a result of Covid-19, there are no voyages that started and/or ended in the UK and as such no emissions reported in UK in 2020.

The different type of fuels and refrigerants used on our ships have been considered and converted in accordance to the UK Government's 'Greenhouse gas reporting conversion factors 2020'.

Directors' report for the year ended 31 December 2020 (continued)

Streamlined energy and carbon emissions reporting (continued)

Scope 2 covers emissions from electricity purchased for own use based in UK only. Energy consumption data is captured through meter reads provided by the landlord.

Our reporting emissions have been calculated using an intensity metric based on available lower berth-kilometer which will enable us to monitor emissions on a comparable basis year-on-year.

Business conduct

The Company has adopted a Code of Business Conduct and Ethics that applies to all of the Company's employees and directors. A copy of the Code of Business Conduct and Ethics is posted in the corporate governance section of RCL's website at www.rclcorporate.com

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulation. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

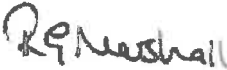
Statement of disclosure of information to auditors

So far as each of the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have each taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

RCL CRUISES LTD


Strategic report for the year ended 31 December 2020 (continued)

On behalf of the Board



RG Marshall
Director

Date: 30/09/2021.....



L Landis
Director

Date: 30/09/2021.....

RCL CRUISES LTD

Independent auditors' report to the members of RCL Cruises Ltd

Report on the audit of the financial statements

Opinion

In our opinion, RCL Cruises Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2020; the Profit and loss account, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the company's ability to continue as a going concern. The COVID-19 outbreak is having, and will continue to have, a material impact on the company's and the Royal Caribbean Cruises Limited Group's (the "parent group") bookings, operations, overall financial performance and liquidity with a previous suspension of most sailings until Q2 of 2021 and a gradual resumption of operations since. The company is therefore dependent on its ultimate parent company, Royal Caribbean Cruises Limited ("RCL") to provide financial support. Based on the parent group's assumptions and estimates and the group's overall financial condition, the ultimate parent company believes that the liquidity levels in place will be sufficient to fund the group's debts and operational requirements for at least the next twelve months and it would be in a position to provide financial support as necessary to the company. However, there is significant uncertainty about the future operations and financial condition of the parent group, given the remaining uncertainties associated with the COVID-19 pandemic. Should the timing and extent of the ongoing resumption of operations be delayed beyond management's current estimate or further restrictions on cruising are imposed this could curtail the group's ability to provide the financial support that the company may require. These conditions, along with the other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

RCL CRUISES LTD

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental, health and safety, UK and International tax regulations including UK tonnage tax legislation, compliance with the International Air Transport Association ('IATA') accreditation and with regulatory reporting requirements of the Associate of British Travel Agents ('ABTA') and the Civil Aviation Authority ('CAA'), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of fraudulent transactions to ensure compliance with the accreditation requirements to permit IATA's processing of vouchers and ticket exchange information on behalf of the company and reporting of turnover and passenger numbers to ABTA and CAA. Audit procedures performed by the engagement team included:

- Identifying and substantive testing of journal entries, in particular those having unusual account combinations or posted by senior management;
- Review of known or suspected instances of non-compliance with laws, regulations and fraud and review of correspondence with IATA, ABTA and CAA and assessment of management's response;
- Financial statement review procedures against Companies Act 2006 requirements;
- Challenging assumptions and judgements made by management in accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements.

RCL CRUISES LTD

Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Katherine Stent (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Crawley
30 September 2021

RCL CRUISES LTD

Financial statements for the year ended 31 December 2020 Profit and loss account for the year ended 31 December 2020

	Note	Year ended 31 December 2020 \$'000s	Year ended 31 December 2019 \$'000s
Turnover	5	552,829	2,988,486
Cost of sales		(112,705)	(521,104)
Gross profit		440,124	2,467,382
Other Income		551	-
Ship operating expenses		(1,469,850)	(2,005,683)
Other operating expenses		(56,508)	(194,206)
Operating (loss) / profit	6	(1,085,683)	267,493
Income from shares in group undertakings		5,855	209,229
Impairment in group undertakings	12	(14,210)	(7,752)
Other interest receivable and similar income	8	1,295	591
Interest payable and similar expenses	8	(1,287)	(69)
(Loss) / profit before taxation		(1,094,030)	469,492
Tax on (loss) / profit	9	(1,308)	(4,604)
(Loss) / profit for the financial year		(1,095,338)	464,888

The above results are derived from continuing operations.

There is no difference between the profit before taxation and the profit for the financial year and their historical costs equivalents.

RCL CRUISES LTD

Statement of comprehensive income For the year ended 31 December 2020

	Year ended 31 December 2020	Year ended 31 December 2019
Note	\$'000s	\$'000s
(Loss) / profit for the financial year	(1,095,338)	464,888
Other comprehensive (expense)/ income:		
Exchange adjustments offset in reserves (translation of overseas branches)	2,413	(2,313)
Actuarial gains/(losses) on pension scheme	0	412
Movement on deferred tax relating to actuarial gains/(losses)	(96)	(108)
Other comprehensive income / (expense) for the year, net of tax	2,317	(2,009)
Total comprehensive (expense) / income for the year	(1,093,021)	462,879

RCL CRUISES LTD

Balance sheet as at 31 December 2020

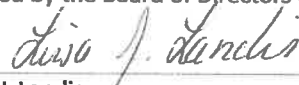
Registered no: 07366612

	Note	2020 \$'000s	2019 \$'000s
Fixed assets			
Intangible assets	10	19,462	21,401
Tangible assets	11	18,226	20,797
Investments	12	811,652	741,337
		849,340	783,535
Current assets			
Stocks	13	43,212	49,751
Debtors (including \$505k (2019: \$538k) amounts falling due after more than one year)	14	23,307	621,154
Cash at bank and in hand		424,299	23,032
		490,818	693,937
Creditors: amounts falling due within one year	16	(1,713,824)	(757,739)
Net current liabilities		(1,223,006)	(63,802)
Total assets less current liabilities		(373,666)	719,733
Provisions for liabilities	17	(732)	(691)
Net (liabilities) / assets excluding pension liability		(374,398)	719,042
Pension liability	20	0	(419)
Net (liabilities) / assets		(374,398)	718,623
Capital and reserves			
Called up share capital	18	1	1
Share premium account		26,191	26,191
Capital contribution reserve	18	2,635	2,635
Profit and loss account		(403,225)	689,796
Total shareholders' (deficit) / funds		(374,398)	718,623

The financial statements on pages 21 to 55 were approved by the Board of Directors on 30/09/21 and were signed on its behalf by:



RG Marshall
Director



L Landis
Director

RCL CRUISES LTD

Statement of changes in equity For the year ended 31 December 2020

	Called up share capital	Share premium account	Profit and loss account	Capital contribution reserve	Total shareholders' Funds
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Balance as at 1 January 2019	1	26,191	426,917	2,635	455,744
Profit for the financial year	-	-	464,888	-	464,888
Other comprehensive expense for the year	-	-	(2,009)	-	(2,009)
Total comprehensive income for the year	-	-	462,879	-	462,879
Dividends paid to group entities	-	-	(200,000)	-	(200,000)
Total transactions with owners, recognised directly in equity	-	-	(200,000)	-	(200,000)
At 31 December 2019	1	26,191	689,796	2,635	718,623
At 1 January 2020	1	26,191	689,796	2,635	718,623
Loss for the financial year	-	-	(1,095,338)	-	(1,095,338)
Other comprehensive income for the year	-	-	2,317	-	2,317
Total comprehensive expense for the year	-	-	(1,093,021)	-	(1,093,021)
Dividends paid to group entities	-	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	-
At 31 December 2020	1	26,191	(403,225)	2,635	(374,398)

RCL CRUISES LTD

Notes to the financial statements For the year ended 31 December 2020

1 General Information

RCL Cruises Ltd (the “Company”) is a cruise ship operator, ship charterer and a sales and marketing representative for the Royal Caribbean International and Celebrity Cruises brands on behalf of the Royal Caribbean Cruises Ltd (“RCL”) group (“the Group”). In 2020, the Company also served the Azamara Cruises brand prior to the sale of the brand by RCL to a third party in March of 2021.

The Company is a private company, limited by shares and incorporated and domiciled in the United Kingdom. The address of its registered office is 3 The Heights, Brooklands, Weybridge, Surrey, KT13 0NY, England.

2 Statement of Compliance

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”) and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going concern

The Company meets its day-to-day working capital requirements through its cash flows from operations or from continuing support from the parent company, Royal Caribbean Cruises Ltd (“RCL”). In light of the Company’s business disruptions as a result of the COVID-19 outbreak and the efforts to contain the disease, management has performed its assessment of the going concern assumption. The Company has identified the current impacts and other possible risks in the evolution of the cruise market which have affected and will continue to affect the Company cash flows and may affect the ability of the Company to repay its financial debts. The Company has received formal confirmation from the parent company that it will provide financial support as necessary to the

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

(b) Going concern (continued)

Company for a period of at least 12 months from the date of signing these financial statements, to ensure the Company is able to meet its obligations as they fall due.

The COVID-19 outbreak is having and will continue to have a material impact on the Company's and the parent group's bookings, operations and overall financial performance and liquidity. As part of the global containment effort for the COVID-19 pandemic, the parent company implemented a voluntary suspension of all the Global Brands' cruise operations effective 13 March 2020. The Group has restarted global cruise operations in a phased manner, following the requirements and recommendations of regulatory agencies, with reduced guest occupancy, modified itineraries and enhanced health, safety and vaccination protocols. On the 5th of August 2021, the Group announced that it anticipated having 80% of its fleet in service by end of year 2021.

Significant events affecting travel, including COVID-19 and our gradual resumption of cruise operations, typically have an impact on the booking pattern for cruise vacations, with the full extent of the impact generally determined by the length of time the event influences travel decisions. The estimation of our future liquidity requirements includes numerous assumptions that are subject to various risks and uncertainties. Based on RCL's assumptions and estimates and its financial condition, the parent group believes the available liquidity will be sufficient to fund liquidity requirements for at least the next twelve months. However, there can be no assurance that our assumptions and estimates are accurate due to possible variables, including, but not limited to, the uncertainties associated with regulatory requirements and recommendations, subsequent changes to and/or enforceability of those requirements and recommendations, our ability to meet the requirements and recommendations, and whether efforts by countries to contain the disease and its variants will further restrict our ability to resume operations. We believe the impact to our global bookings resulting from COVID-19 will continue to have a material negative impact on our results of operations and liquidity, which may be prolonged beyond containment of the disease and its variants. In March 2021 RCL: extended its \$1.0 billion unsecured loan due April 2022 and its \$1.6 billion unsecured revolving credit facility due October 2022 to October 2023 and April 2024, respectively; issued \$1.5 billion of senior unsecured notes due 2028; extended its binding commitment for a \$700.0 million term loan facility by one year; and issued 16.9 million shares of common stock for which it received net proceeds of \$1.5 billion. In June and August 2021 completed the issuance of \$650 million and \$1.0 billion secured loan notes, respectively. This gives the Company more certainty over the Group's ability to provide it with the funding it may require

The directors of the Company have a reasonable expectation that the group has adequate resources to continue in operation and provide any financial support needed by the Company for the foreseeable future. The Company therefore continues to adopt the going concern basis in the preparation of these financial statements. However, given the fluidity and significant uncertainty of this situation, the unpredictability of the full financial impact that this matter will have on the group's and Company's operations and financial condition indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

(c) Consolidated financial statements

The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiary undertakings are fully consolidated into the financial statements of its ultimate parent company, RCL, a company incorporated in Liberia. The parent company financial statements are prepared on a basis that is equivalent to the provisions of the European Union Seventh Directive.

These financial statements are the Company's separate financial statements.

Consolidated financial statements of RCL and its subsidiaries, including this Company, are publicly available by visiting RCL's Investor Relations website at www.rclinvestor.com or the Securities and Exchange Commission's website at www.sec.gov.

(d) Foreign currency

(i) Functional and presentation currency

The reporting currency of the Company is the United States dollar ("\$"), which is also the functional currency of the UK head office. The functional currency of each of the individual branches is the local currency, in which it conducts its business activities.

(ii) Transactions and balances

Transactions in currencies other than the functional and reporting currency are translated at the rates of exchange ruling at the transaction date or at an average rate for the year if this is not materially different.

Monetary assets and liabilities are translated at the exchange rate at the balance sheet date. All such exchange gains and losses arising are taken to the profit and loss account in the year in which they arise. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences arising from the translation from functional to reporting currency are shown as a movement in reserves.

(e) Revenue recognition

Turnover, which excludes trade discounts and sales taxes, represents charter, gross ticket and shipboard revenues and fees for other services provided. Gross ticket turnover is based on return date and pro-rated at year end.

Commission revenue and fees in respect of other services provided are recognised in the profit and loss account according to the accounting period in which they are earned.

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

Gross ticket, charter and shipboard revenues in respect of voyages spanning the year end are recognised on a straight line basis over the duration of the voyage.

Our payment terms generally require an upfront deposit to confirm a reservation, with the balance due prior to the cruise. Deposits received on sales of passenger cruises are initially recorded as deferred income within the balance sheet and subsequently recognised as gross ticket revenue during the duration of the cruise.

In 2020, there is a change in transfer pricing and revenue is recognised on a cost plus basis for management and support services. This differs from commission-based model in previous year. Revenue is recognised over time as costs are incurred. In addition, revenue is recognised on resale of air tickets costs.

(f) Cost of sales

Cost of sales relates to items incurred that are directly attributable to cruise passenger costs.

(g) Government Grants

Government grants are assistance provided by the government which are recognized when there is a transfer of resources to the entity in return for past or future compliance with specified conditions relating to the operating activities of the entity.

During the period the Company benefited from government grant in the form of the Coronavirus Job Retention Scheme. Under the scheme, HMRC reimbursed 80% of the wages costs of certain employees who have been asked to stop working ('furloughed'), but who have been kept on the payroll.

As this scheme involves a transfer of resources from government to the entity, it meets the definition of a government grant.

The Company applies accrual model. The furlough grant income is recognized separately in other income on a systematic basis over the periods in which the entity recognizes the related costs for which the grant is intended to compensate.

(h) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plan.

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Company contributes to defined contribution schemes in respect of certain of its employees. The pension charge in respect of the defined contribution schemes represents the amount payable by the Company in the year.

(iii) Defined benefit pension plan

The Company had an insured collective pension plan for several years which provided benefits based on final pensionable pay for its current and former Norwegian employees. The plan qualified as a defined benefit scheme. The scheme was converted to a defined contribution pension scheme at the end of 2020. After the conversion, at the member's request, the amount may be transferred to a deposit fund associated with their deposit agreement.

The assets of the scheme have been held separately from those of the Company in independently administered funds. The liability has been recognised in the balance sheet in respect of defined benefit pension plans as the present value of the defined benefit obligation at the end of each reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs.

The fair value of plan assets has been measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similar held assets. This has included the use of appropriate valuation techniques.

As a result of the termination of the scheme, the Company no longer has the financial responsibility for future pension commitments. There are no actuarial gains or losses in the year. A cumulative remeasurement of the net liability (assets) is recognised in other comprehensive income. There is no net defined benefit liability (assets) at the reporting date which has been recognised in profit and loss due to the termination of the scheme.

The defined benefit obligation and the termination of the defined benefit scheme is calculated by independent actuaries. The Closing Note is included in the Note 20 'Pension Liability'.

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

(iv) Share-based payments

Employees of the Company participate in share option, restricted share unit and performance share unit plans operated by RCL. These cash-settled share options are measured at fair value at the balance sheet date. The Company recognises a liability at the balance sheet date based on these fair values, taking into account the estimated number of options that will actually vest and the current proportion of the vesting period. Changes in the value of this liability are recognised in the income statement. The Company has taken advantage of the exemption for qualifying entities for certain disclosure requirements of section 26 in respect of share based payments.

(i) Taxation

The ship operations of the Company are subject to the UK tonnage tax regime, which provides for fixed charges based on the tonnage of each ship. All other activities are subject to corporation tax.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

(j) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities at the date of acquisition less accumulated amortisation and provision for impairment.

Goodwill is amortised on a straight-line basis over its estimated useful economic life of 20 years.

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

(k) Tangible fixed assets

(i) Depreciation

Depreciation is calculated so as to write off the cost less the estimated residual value of tangible fixed assets over their expected useful economic life, which are re-assessed periodically, as follows:

Leasehold improvements	Shorter of remaining lease term or useful life
Fixtures, fittings and equipment	20% straight line

(ii) Dry dock

Dry docking costs are capitalised when incurred and depreciated over the period until the next scheduled dry dock. Routine dry docks occur every thirty to sixty months.

(k) Leased assets

(i) Operating leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

(ii) Lease incentives

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

(l) Investments

Investments in subsidiary and associate undertakings are stated at cost less any provision for impairment. Impairment reviews are performed by the directors when there have been any events or circumstances which would indicate that the carrying value may not be recoverable.

Transfer of investments between related undertakings are made at the carrying amount of the investment. The carrying amount of the investment is transferred between directly held undertakings during a group reorganisation.

(m) Impairment of non-financial assets

The carrying values of tangible fixed assets and intangible fixed assets with finite lives are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

(n) Inventories

Inventories consist of hotel consumables and fuel and is carried at the lower of cost (weighted-average) or net realisable value.

(o) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(p) Distributions to equity holders and dividend income

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved and paid by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

Dividend income is recognised when the right to receive payment is established.

(q) Related party transactions

The Company has taken advantage of the exemption contained in FRS 102 as it is a wholly owned subsidiary of RCL. Therefore, the Company has not disclosed transactions or balances with wholly owned entities that form part of the Group headed by RCL.

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

FRS 102 allows a qualifying entity certain disclosure exemptions. As the Company is included in the publicly available consolidated financial statements of the RCL group, it has taken advantage of the following exemptions for qualifying entities:

- (i) Requirement to prepare a statement of cash flows
- (ii) Certain disclosure requirements of section 26 in respect of share based payments
- (iii) Disclosure of key management personnel compensation in total

(r) Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

(s) Financial instruments (continued)

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

FRS 102 allows a qualifying entity certain disclosure exemptions. As the Company is included in the publicly available consolidated financial statements of the RCL group, it has taken advantage of the following exemptions for qualifying entities:

- (i) Requirement to prepare a statement of cash flows
- (ii) Certain disclosure requirements of section 26 in respect of share based payments
- (iii) Disclosure of key management personnel compensation in total.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

Management has chosen to transfer investments between related undertakings at their carrying amount with no impairment in the related undertaking disposing of its investment. This treatment is an accounting policy supported by paragraph 2.8 of FRS 102. This requires transactions to be accounted for and presented in accordance with their substance rather than just their legal form.

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

4 Critical accounting judgements and estimation uncertainty (continued)

(b) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Impairment of investments

The Company considers whether investments in related undertakings are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the investments' value in use or net assets. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values.

5 Turnover

Turnover arising wholly in respect of the principal activities of the Company and by residence of customer is derived as follows:

Year ended 31 December 2020

	North America	United Kingdom	Rest of Europe	Rest of the world	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Gross ticket, charter, and shipboard revenue	218,133	40,861	18,995	221,743	499,732
Management and support service	40,236	-	-	-	40,236
Marketing and other revenue	12,861	-	-	-	12,861
	271,230	40,861	18,995	221,743	552,829

Notes to the financial statements (continued) For the year ended 31 December 2020

5 Turnover (continued)

In 2020, there is a change in transfer pricing and revenue is recognised on a cost plus basis for management and support services. This differs from commission-based model in previous year. Revenue is recognised over time as costs are incurred. In addition, revenue is recognised on resale of air tickets costs.

Year ended 31 December 2019

	North America \$'000s	United Kingdom \$'000s	Rest of Europe \$'000s	Rest of the world \$'000s	Total \$'000s
Commission revenue	143,701	-	-	-	143,701
Gross ticket, charter, and shipboard revenue	1,150,852	457,564	104,641	1,098,494	2,811,551
Marketing and other revenue	33,234	-	-	-	33,234
	1,327,787	457,564	104,641	1,098,494	2,988,486

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

6 Operating (loss) / profit

	Year ended 31 December 2020	Year ended 31 December 2019
	\$'000s	\$'000s
Operating (loss) / profit is stated after charging/(crediting) :		
Wages and salaries	28,201	46,478
Social security costs	4,060	5,347
Other pension costs (note 20)	2,442	2,897
Share-based payments	1,473	1,613
Staff costs	36,176	56,335
Depreciation of owned tangible fixed assets (note 11)	1,386	1,091
Depreciation of dry dock costs (note 11)	9,478	10,995
Amortisation of goodwill and other intangible assets (note 10)	1,939	1,939
Provision release of trade debtors	(732)	(527)
Inventory recognised as an expense	188,342	509,508
Operating leases		
– land and buildings	1,475	1,722
– plant and machinery	39	57
– ships	760,825	738,895
– other	400	701
Foreign exchange (gain)/loss	(49,557)	(1,170)
Services provided by the Company's auditors and its associates		
	Year ended 31 December 2020	Year ended 31 December 2019
	\$'000s	\$'000s
During the year the Company obtained the following services from the Company's auditors:		
Fees payable to Company's auditors for the audit of the Company financial statements	170	196
Audit-related assurance services	56	74
	226	270

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

7 Employees and Directors

Employees

The average monthly number of persons employed by the Company during the year was:

	Year ended 31 December 2020	Year ended 31 December 2019
	Number	Number
By activity:		
Sales and marketing	245	336
Administration	102	166
Marine	17	19
	364	521

Directors

The directors' emoluments were as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
	\$'000s	\$'000s
Aggregate emoluments	2,503	2,383
Pension costs paid into a defined contribution scheme	141	146
	2,644	2,529

The highest paid director received emoluments of \$558,880 (*year ended 31 December 2019: \$1,006,561*) and pension contributions to the value of \$31,544 (*year ended 31 December 2019: \$62,053*). None of the directors, who served during the year under review, participated in the Company's defined benefit pension plan.

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

8 Other interest receivable and similar income / interest payable and similar expenses

(a) Other interest receivable and similar income

	Year ended 31 December 2020	Year ended 31 December 2019
	\$'000s	\$'000s
On amounts owed by Group undertakings	1,110	560
Bank interest receivable	4	24
Other finance income	181	7
Total interest receivable and similar income	1,295	591

(b) Interest payable and similar expenses

	Year ended 31 December 2020	Year ended 31 December 2019
	\$'000s	\$'000s
Total interest expense on financial and other liabilities not measured at fair value through profit or loss	1,277	16
Net interest expense on post-employment benefits	10	53
Total interest payable and similar expenses	1,287	69

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

9 Tax on profit

(a) Tax charge/(credit) included in profit or loss

	Year ended 31 December 2020	Year ended 31 December 2019
	\$'000s	\$'000s
Current tax:		
United Kingdom		
Corporation tax for the year	628	1,726
Adjustments in respect of prior years	(99)	(173)
	529	1,553
Foreign tax		
Corporation tax for the year	780	2,428
Adjustments in respect of prior years	62	551
	842	2,979
Total current tax for the year	1,371	4,532
Deferred tax:		
Origination and reversal of timing differences– UK	(2)	(4)
– Foreign	(61)	76
Total deferred tax expense/(credit) for the year	(63)	72
Tax on profit	1,308	4,604

(b) Tax expense/(credit) included in other comprehensive income

	Year ended 31 December 2020	Year ended 31 December 2019
	\$'000s	\$'000
Deferred tax		
- Movement on deferred tax relating to actuarial gains/(losses)	96	108
Total tax expense/(credit) included in other comprehensive income	96	108

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

9 Tax on profit (continued)

(c) Reconciliation of tax credit

The tax assessed for the year is higher (2019: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2020 of 19.00% (Year ended 31 December 2019: 19.00%). The differences are explained below:

	Year ended 31 December 2020 \$'000s	Year ended 31 December 2019 \$'000s
Profit /(loss) before taxation	(1,094,030)	469,492
Profit /(loss) multiplied by the standard effective rate of corporation tax in the UK 19.00% (2019: 19.00%)	(207,866)	89,203
Effects of:		
Profits under tonnage tax	206,530	(47,940)
Tonnage tax charge	254	239
Impact of disallowable expenditure	3,331	2,318
Adjustments in respect of prior years	(37)	378
Impact of foreign tax rates	208	159
Exempt dividend income	(1,112)	(39,753)
Total tax charge	1,308	4,604

(d) Tax rate changes

On 1 April 2017, the UK tax rate changed from 20% to 19%. This change was enacted in the Finance Act 2015. Accordingly, the profits are taxed at an effective rate of 19.00% (2019: 19.00%).

The Chancellor has confirmed an increase in the corporation tax (CT) rate from 19 to 25 percent with effect from 1 April 2023.

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

10 Intangible assets

	Goodwill
	\$'000s
<hr/>	
At 1 January 2020	
Cost	38,773
Accumulated amortisation	(17,372)
Net book amount	21,401
<hr/>	
Year ended 31 December 2020	
Opening net book amount	21,401
Amortisation	(1,939)
Closing net book amount	19,462
<hr/>	
At 31 December 2020	
Cost	38,773
Accumulated amortisation	(19,311)
At 31 December 2020	19,462

The above amounts relate to goodwill arising from the purchase of the net assets of Royal Caribbean Cruise Line A/S, Royal Caribbean Cruises Espana SL, Royal Caribbean Cruises (Australia) Pty Ltd and Latitude Sud in 2011.

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

11 Tangible assets

	Leasehold improvements \$'000s	Fixtures, fittings and equipment \$'000s	Dry dock \$'000s	Total \$'000s
At 1 January 2020				
Cost	4,831	5,478	92,013	102,322
Accumulated depreciation	(3,694)	(2,644)	(75,187)	(81,525)
Net book value	1,137	2,834	16,826	20,797
Year ended 31 December 2020				
Additions	74	509	13,989	14,572
Disposals	(206)	(858)	(5,288)	(6,352)
Foreign exchange impact on cost in overseas branches	46	150	-	196
Depreciation	(526)	(860)	(9,478)	(10,864)
Foreign exchange impact on accumulated depreciation in overseas branches	(23)	(100)	-	(123)
Closing net book value	502	1,675	16,049	18,226
At 31 December 2020				
Cost	4,476	5,027	100,714	110,217
Accumulated depreciation	(3,974)	(3,352)	(84,665)	(91,991)
Net book value	502	1,675	16,049	18,226

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

12 Investments

	2020	2019
Investment in subsidiaries and associates	\$'000s	\$'000s
As at 1 January	741,337	740,793
Additions in Holistica Destinations Ltd	-	1,000
Capital contribution in Kotor Port Investments LLC	-	68
Capital contribution in Torcatt Enterprises SA	-	4,228
Capital contribution RCL Japan Holdings Ltd	-	3,000
Impairment in Kotor Port Investments LLC	(68)	(22)
Impairment in Greensboro SL	(13,142)	(7,730)
Additions in RCL TUI Cruises German Holding GmbH & Co KG	84,525	-
Impairment in Holistica Destination Ltd	(1,000)	-
As at 31 December	811,652	741,337

Analysed as:

Barcelona Port Investments SL	16,527	16,527
Greensboro SL	3,820	16,962
Torcatt Enterprises SA	8,844	8,844
Royal Caribbean Cruises Hong Kong Limited	64	64
Royal Caribbean Manning India Private Ltd	1	1
Royal Celebrity Mexico Crucero S de R L de CV	-	-
Kotor Port Investments LLC	-	68
Catalonia Cruise Terminal C. S.L	3	3
PDI Lelepa Ltd	-	-
RCL Japan Holdings Ltd	3,000	3,000
RCL TUI Cruises German Holding GmbH & Co KG	779,393	694,865
RCL TUI Cruises German Verwaltungs GmbH	-	3
Holistica Destinations Ltd	-	1,000
	811,652	741,337

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

12 Investments (continued)

The directors believe that the carrying values of the investments are supported by their underlying net assets or future trading forecasts

Fixed asset investments comprise equity shares in Royal Celebrity Mexico Cruceros S de R L de CV, Greensboro SL, Torcatt Enterprises SA, Barcelona Port Investments SL, Royal Caribbean Cruises Hong Kong Limited, TUI Cruises GmbH, Royal Caribbean Manning India Private Ltd, Kotor Port Investments LLC, Catalonia Cruise Terminal C. S.L., PDI Lelepa Ltd, RCL Japan Holdings Ltd, RCL TUI Cruises German Holding GmbH & Co KG, RCL TUI Cruises German Verwaltungs GmbH, Holistica Destinations Ltd and Spezia & Carrara Cruise Terminal S.R.L none of which are publicly traded.

In June 2020 the Company increased its investment of TUI Cruises GmbH for \$84m.

Royal Celebrity Mexico Cruceros S de R L de CV

The Company owns 100% of the equity share capital of Royal Celebrity Mexico Cruceros S de R L de CV (2019:100%). Royal Celebrity Mexico Cruceros S de R L de CV is incorporated in Mexico.

Barcelona Port Investments SL

The Company owns 38% of the equity share capital of Barcelona Port Investments SL (2019:38%). Barcelona Port Investments SL is incorporated in Spain.

Royal Caribbean Cruises Hong Kong Limited

The Company owns 100% of the equity share capital of Royal Caribbean Cruises Hong Kong Limited (2019:100%). Royal Caribbean Cruises Hong Kong Limited is incorporated in Hong Kong.

Greensboro SL

The Company owns 100% of the share capital of Greensboro SL (2019: 100%). Greensboro SL is incorporated in Spain.

Torcatt Enterprises SA

The Company owns 29% of the share capital of Torcatt Enterprises SA (2019:29%). Torcatt Enterprises SA is incorporated in Ecuador.

TUI Cruises GmbH

In 2018 the Company transferred its investment of 50% of the equity share capital of TUI Cruises GmbH to RCL TUI Cruises Holding GmbH & Co KG. TUI Cruises GmbH is incorporated in Germany.

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

12 Investments (continued)

Royal Caribbean Manning India Private Ltd

The Company owns 100% of the equity share capital of Royal Caribbean Manning India Private Ltd (2019:100%). Royal Caribbean Manning India Private Ltd is incorporated in India.

Kotor Port Investments LLC

The Company owns a 51% interest in Kotor Port Investments LLC (2019:51%). Kotor Port Investments LLC is incorporated in Montenegro.

Catalonia Cruise Terminal C. S.L.

The Company owns 100% of the equity share capital of Catalonia Cruise Terminal C. S.L. (2019:100%). Catalonia Cruise Terminal C. S.L. is incorporated in Spain.

PDI Lelepa Ltd

The Company owns 100% of the equity share capital of PDI Lelepa Ltd (2019:100%). PDI Lelepa Ltd is incorporated in Vanuatu.

RCL Japan Holdings Ltd

The Company owns 100% of the equity share capital of RCL Japan Holdings Ltd (2019:100%). RCL Japan Holdings Ltd is incorporated in Japan.

RCL TUI Cruises German Holding GmbH & Co KG

The Company owns 100% of the equity share capital of RCL TUI Cruises German Holding GmbH & Co KG (2019:100%). RCL TUI Cruises German Holding GmbH & Co KG is incorporated in Germany.

RCL TUI Cruises German Verwaltungs GmbH

The Company owns 100% of the equity share capital of RCL TUI Cruises German Verwaltungs GmbH (2019:100%). RCL TUI Cruises German Verwaltungs GmbH is incorporated in Germany.

Holistica Destinations Ltd

The Company owns 50% of the equity share capital of Holistica Destinations Ltd (2019: 50%). Holistica Destinations Ltd is incorporated in the United Kingdom.

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

13 Stocks

	31 December 2020	31 December 2019
	\$'000s	\$'000s
Hotel inventory	31,289	38,919
Fuel	11,923	10,832
	43,212	49,751

The replacement cost of stocks is not materially different from the amounts disclosed above.

14 Debtors

	31 December 2020	31 December 2019
	\$'000s	\$'000s
Amounts falling due after more than one year		
Deferred tax (note 15)	505	538
	505	538
Amounts falling due within one year		
Trade debtors	1,968	3,035
Amounts owed by Group undertakings	-	499,476
Corporation tax recoverable	-	1,989
Withholding tax recoverable	-	48,820
Other debtors	2,902	12,807
Prepayments and accrued income	17,932	54,489
	22,802	620,616
Total debtors	23,307	621,154

Trade debtors are stated after provisions for impairment of \$523k (2019: \$1,255k)

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

15 Deferred tax

The deferred tax consists of the following deferred tax assets:

	2020	2019
	\$'000s	\$'000s
Deferred capital allowances	505	442
Defined benefit pension	-	96
Net deferred tax asset at 31 December	505	538

There are no unused tax losses or unused tax credits.

The net deferred tax asset is expected to reverse in the following years. This primarily relates to the reversal of timing differences on capital allowances.

16 Creditors: amounts falling due within one year

	31 December 2020	31 December 2019
	\$'000s	\$'000s
Trade creditors	3,427	18,443
Amounts owed to Group undertakings	1,100,970	-
Corporation tax payable	531	-
Other taxation and social security	784	903
Accruals and deferred income	198,192	738,393
Borrowings	409,920	-
	1,713,824	757,739

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. It includes interest receivable on certain balances which was calculated at an average interest rate of 0.08% for the year ended 31 December 2020 (*year ended 31 December 2019: 0.08%*). Also included is a 0% interest bearing intercompany loan balance to RCL

Borrowings

In June 2020, the Company established a commercial paper facility for the purpose of issuing short-term, unsecured Sterling-denominated notes which were eligible for purchase under the Joint HM Treasury and Bank of England's COVID Corporate Financing Facility commercial paper program in an aggregate principal amount up to £300.0 million. The maturities of the commercial paper notes cannot exceed 364 days from the date of issuance. Notes are issued at a discount and do not bear interest. As of December 31, 2020, the Company had a liability of £300.0 million, or \$409.9 million. The liability is settled in March 2021.

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

17 Provisions for liabilities

	Dilapidations \$'000s	Total \$'000s
As at 1 January 2020	691	691
Additions	-	-
Unwind of discount	33	33
Changes in foreign exchange rates	8	8
As at 31 December 2020	732	732

Dilapidations

The dilapidations provision is in respect of leasehold premises at The Heights, Weybridge.

18 Called up share capital and capital contribution reserves

	31 December 2020 \$'000s	31 December 2019 \$'000s
Allotted and fully paid		
1,051 (2019: 1,051) ordinary shares of \$1 each	1	1
Capital contribution reserve		
Arising on the acquisition of Royal Caribbean Cruises Espana S.L	2,635	2,635

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

19 Financial commitments

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	31 December 2020	31 December 2019
	\$'000s	\$'000s
Land and buildings		
Within one year	1,468	1,863
Within two to five years	510	1,253
Over five years	-	-
Cruise vessel		
Within one year	545,547	775,679
Within one to two years	188,743	733,656
Other assets		
Within one year	350	528
Within two to five years	105	380
Total	736,723	1,513,359

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

20 Pension liability

The Company has been operating a defined benefit pension scheme for several years in respect of certain past and present Norwegian employees, with assets held in a separately administered fund. The scheme terminated at the end of 2020 and it has been converted to a defined contribution pension scheme. The Company also contributes to a defined contribution scheme to provide benefits to employees who do not qualify for the defined benefit pension scheme.

Defined benefit scheme

A valuation and termination of the RCL Cruises Ltd pension scheme, has been carried out at 31 December 2020 by Norwegian Insurance Partner AS, actuary.

Reconciliation of scheme assets and liabilities:

	Assets \$'000s	Liabilities \$'000s	Total \$'000s
At 1 January 2020	1,565	(1,984)	(419)
Benefits paid	60	(60)	-
Employer contributions	159	-	159
Current service cost	(21)	(137)	(158)
Interest cost	-	(8)	(8)
Payroll tax on scheme liabilities	-	(1)	(1)
Liability/Assets gain, (loss)	(1,665)	2,065	400
Foreign exchange (loss)/gain	(98)	125	27
Remeasurement (losses)/gains			
-Actuarial (loss)/gain	-	-	-
-Return on plan assets excluding interest income	-	-	-
At 31 December 2020	-	-	-

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

20 Pension liability (continued)

Total cost recognised as an expense

	2020 \$'000s	2019 \$'000s
Current service cost	158	209
Interest cost	8	53
Liability/Assets (gain), loss	(400)	-
31 December	(234)	262

Defined contribution scheme

The Company contributes to defined contribution pension schemes for the benefit of certain of its employees. These schemes require contributions to be made into independently administered funds. Contributions to these funds are charged to the profit and loss account in the year in which they become payable under the rules of the schemes.

The amount recognised as an expense for the defined contribution scheme was:

	2020 \$'000s	2019 \$'000s
Current year contributions	2,284	2,688

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

21 Related parties

The Company has taken advantage of the exemption contained in FRS 102 as it is a wholly owned subsidiary of RCL. Therefore, the Company has not disclosed transactions or balances with wholly owned entities that form part of the Group headed by RCL.

During the year the Company received a dividend payment of \$224k (2019: \$6m) from Barcelona Port Investments SL.

During the year the Company received a dividend payment of \$5,6m (2019: \$14m) from Greensboro SL.

During the year the Company received a dividend payment of \$4,9k (2019: \$0k) from Kotor Port Investments LLC.

During the year the Company has not received a dividend payment from RCL TUI Cruises Holding GmbH & Co KG (2019: \$188m).

During the year the Company has not received a dividend payment from Royal Caribbean Cruises Hong Kong Limited. (2019: \$1m)/

22 Controlling parties

The immediate parent undertaking, ultimate parent undertaking and controlling party is RCL, a company incorporated in Liberia.

RCL is the only parent undertaking to consolidate these financial statements at 31 December 2020. The consolidated financial statements of RCL are available at www.rclcorporate.com or upon written request at: 1050 Caribbean Way, Miami, Florida 33132, USA.

23 Subsidiaries and significant undertakings

The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiary undertakings are fully consolidated into the financial statements of its ultimate parent company, RCL, a company incorporated in Liberia.

Consolidated financial statements of RCL and its subsidiaries, including this Company, are publicly available from 1050 Caribbean Way, Miami, Florida 33132, United States of America and at www.rclinvestor.com.

The list of subsidiaries and other significant undertakings is as follows:

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

23 Subsidiaries and significant undertakings (continued)

<u>Name</u>	<u>Address of registered office</u>	<u>Percentage Held</u>
Greensboro SL	Calle Almargo, 3-6 Madrid 28010 Spain	100% ordinary shares (Direct)
Royal Caribbean Cruises Hong Kong Limited	Suite 2001, 20th Floor, Tower 1 The Gateway, Harbour City Canton Road, Tsim Sha Tsui Kowloon Hong Kong	100% ordinary shares (Direct)
Royal Celebrity Mexico Crucero S de R L de CV	Blvd. Manuel Avila Camacho 36 piso 20 Lomas de Chapultepec CP 11000, Mexico D.F. Mexico	100% ordinary shares (Direct)
TUI Cruises GmbH	Anckelmannsplatz 1 Hamburg 20537 Germany	50% ordinary shares (Indirect)
Torcatt Enterprises SA	Av. República de El Salvador N36-84 y Naciones Unidas Quilate Building, 9th Floor Quito 17550 Ecuador	29% ordinary shares (Direct)
Barcelona Port Investments SL	Calle Ayala 66 Madrid 28001 Spain	38% ordinary shares (Direct)
Royal Caribbean Manning India Private Ltd	Satellite Gazebo,002 Ground Floor Andheri Ghatkopar Link Road Chakala, Andheri East Mumbai Mumbai City MH 400093 IN	100% ordinary shares (Direct)
Kotor Port Investments LLC	Ivana Crnojecivca BR.50 Podgorica, Montenegro	51% ordinary shares (Direct)

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

23 Subsidiaries and significant undertakings (continued)

Catalonia Cruise Terminal C. S.L.	c/Provenza 392 5ª planta 08025 - Barcelona Spain	100% ordinary shares (Direct)
RCL Japan Holdings Ltd	3-22-10-201 Toranomom Minato-ku Tokyo Japan	100% ordinary shares (Direct)
PDI Lelepa Ltd	2 nd Floor Raffea House Lini Highway PO Box 782 Port Vila Vanuatu	100% ordinary shares (Direct)
RCL TUI Cruises Holding GmbH &Co KG	Heidenkampsweg 58 20097 Hamburg Germany	100% ordinary shares (Direct)
RCL TUI Cruises Verwaltungs GmbH	Heidenskampsweg 58 20097 Hamburg Germany	100% ordinary shares (Direct)
Holistica Destinations Ltd	Friary Court, 65 Crutched Friars London United Kingdom	50% ordinary shares (Direct)
Creuers Barcelona	Estacion Maritima Sur Del Muelle De Barcelona S/N World Trade Center 08039 Barcelona Spain	38% ordinary shares (Indirect)
Creueros Malaga	Estacion Martima De Levante Puerto De Malaga 29001 Malaga Spain	30% ordinary shares (Indirect)
SATS Creuers	20 Airport Boulevard SATS Inflight Catering Centre 1 Singapore 819659	15% ordinary shares (Indirect)
Oceanadventures S.A	Isabella Street, 356 and Roberto Schiess Puerto Ayora Santa Cruz Galapagos	29% ordinary shares (Indirect)

RCL CRUISES LTD

Notes to the financial statements (continued) For the year ended 31 December 2020

24 Events after the end of the reporting period

Azamara

Effective March 19, 2021, the Group sold its wholly-owned brand, Azamara Cruises, including its three-ship fleet and associated intellectual property, to Sycamore Partners, a private equity firm specializing in consumer, retail and distribution investments, for \$201 million, before closing adjustments.