CARNIVAL CORP
Form 10-Q
April 03, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 28, 2013

OR

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

For the transition period from ______ to ______

Commission file number: 1-9610	Commission file number: 1-15136
Carnival Corporation	Carnival plc
(Exact name of registrant as specified in its charter)	(Exact name of registrant as specified in its charter)

Carnival Corporation	Carnival plc
Republic of Panama (State or other jurisdiction of incorporation or organization)	England and Wales (State or other jurisdiction of incorporation or organization)
59-1562976 (I.R.S. Employer Identification No.)	98-0357772 (I.R.S. Employer Identification No.)
3655 N.W. 87th Avenue Miami, Florida 33178-2428 (Address of principal executive offices) (Zip Code)	Carnival House, 5 Gainsford Street, London SE1 2NE, United Kingdom (Address of principal executive offices) (Zip Code)
(305) 599-2600 (Registrant s telephone number, including area code)	011 44 20 7940 5381 (Registrant s telephone number, including area code)
None (Former name, former address and former fiscal year, if changed since last report)	None (Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the registrants have submitted electronically and posted on its corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes þ No ¨

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filers	þ	Accelerated filers	¨
Non-accelerated filers	¨	Smaller reporting companies	¨

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

At March 21, 2013, Carnival Corporation had outstanding 592,007,964 shares of Common Stock, $0.01 par value.

At March 21, 2013, Carnival plc had outstanding 215,485,532 Ordinary Shares $1.66 par value, one Special Voting Share, GBP 1.00 par value and 592,007,964 Trust Shares of beneficial interest in the P&O Princess Special Voting Trust.

CARNIVAL CORPORATION & PLC

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PART I FINANCIAL INFORMATION

Item 1. **Financial Statements.**

CARNIVAL CORPORATION & PLC

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(in millions, except per share data)

	Three Months Ended February 28/29, 2013	2012
Revenues		
Cruise		
Passenger tickets	$ 2,740	$ 2,764
Onboard and other	844	809
Tour and other	9	9
	3,593	3,582
Operating Costs and Expenses		
Cruise		
Commissions, transportation and other	617	661
Onboard and other	127	126
Fuel	559	592
Payroll and related	460	442
Food	243	240
Other ship operating	579	619
Tour and other	14	14
	2,599	2,694
Selling and administrative	460	421
Depreciation and amortization	389	376
Ibero goodwill and trademark impairment charges	-	173
	3,448	3,664
Operating Income (Loss)	145	(82)
Nonoperating (Expense) Income		
Interest income	2	3
Interest expense, net of capitalized interest	(83)	(88)
Unrealized (losses) gains on fuel derivatives, net	(28)	21
Other income, net	3	5
	(106)	(59)
Income (Loss) Before Income Taxes	39	(141)
Income Tax (Expense) Benefit, Net	(2)	2

Net Income (Loss)	$ 37	$ (139)
Earnings (Loss) Per Share		
Basic	$ 0.05	$ (0.18)
Diluted	$ 0.05	$ (0.18)
Dividends Declared Per Share	$ 0.25	$ 0.25

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

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CARNIVAL CORPORATION & PLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(UNAUDITED)

(in millions)

	Three Months Ended February 28/29, 2013	Three Months Ended February 28/29, 2012
Net Income (Loss)	$ 37	$ (139)
Items Included in Other Comprehensive (Loss) Income		
Change in foreign currency translation adjustment	(208)	147
Other	16	(5)
Other Comprehensive (Loss) Income	(192)	142
Total Comprehensive (Loss) Income	$ (155)	$ 3

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

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CARNIVAL CORPORATION & PLC

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in millions, except par values)

	February 28, 2013	November 30, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	$ 476	$ 465
Trade and other receivables, net	400	270
Insurance recoverables	337	460
Inventories	383	390
Prepaid expenses and other	196	236
Total current assets	1,792	1,821
Property and Equipment, Net	31,726	32,137
Goodwill	3,143	3,174
Other Intangibles	1,303	1,314
Other Assets	711	715
	$ 38,675	$ 39,161
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Short-term borrowings	$ 122	$ 56
Current portion of long-term debt	1,643	1,678
Accounts payable	570	549
Dividends payable	194	583
Claims reserve	440	553
Accrued liabilities and other	798	845
Customer deposits	3,015	3,076
Total current liabilities	6,782	7,340
Long-Term Debt	7,622	7,168
Other Long-Term Liabilities	748	724
Contingencies		
Shareholders Equity		
Common stock of Carnival Corporation, $0.01 par value; 1,960 shares authorized; 650 shares at 2013 and 649 shares at 2012 issued	7	6
Ordinary shares of Carnival plc, $1.66 par value; 215 shares at 2013 and 2012 issued	357	357
Additional paid-in capital	8,277	8,252
Retained earnings	18,322	18,479
Accumulated other comprehensive loss	(399)	(207)
Treasury stock, 58 shares at 2013 and 55 shares at 2012 of Carnival Corporation and 32 shares at 2013 and 33 shares at 2012 of Carnival plc, at cost	(3,041)	(2,958)
Total shareholders equity	23,523	23,929

	$	38,675	$	39,161

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

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CARNIVAL CORPORATION & PLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in millions)

	Three Months Ended February 28/29, 2013	2012
OPERATING ACTIVITIES		
Net income (loss)	$ 37	$ (139)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	389	376
Ibero goodwill and trademark impairment charges	-	173
Losses (gains) on fuel derivatives, net	28	(21)
Share-based compensation	18	14
Other, net	19	41
Changes in operating assets and liabilities		
Receivables	(134)	(22)
Inventories	5	(4)
Insurance recoverables, prepaid expenses and other	76	6
Accounts payable	23	(62)
Claims reserves, accrued and other liabilities	(23)	10
Customer deposits	(39)	(50)
Net cash provided by operating activities	399	322
INVESTING ACTIVITIES		
Additions to property and equipment	(241)	(267)
Proceeds from sale of ships	70	46
Other, net	4	(27)
Net cash used in investing activities	(167)	(248)
FINANCING ACTIVITIES		
Proceeds from short-term borrowings, net	67	257
Principal repayments of long-term debt	(612)	(112)
Proceeds from issuance of long-term debt	1,000	-
Dividends paid	(582)	(194)
Purchases of treasury stock	(113)	-
Sales of treasury stock	35	-
Other, net	2	(1)
Net cash used in financing activities	(203)	(50)
Effect of exchange rate changes on cash and cash equivalents	(18)	(3)
Net increase in cash and cash equivalents	11	21
Cash and cash equivalents at beginning of period	465	450
Cash and cash equivalents at end of period	$ 476	$ 471

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

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CARNIVAL CORPORATION & PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 General

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

The Consolidated Balance Sheet at February 28, 2013, the Consolidated Statements of Operations, the Consolidated Statements of Comprehensive Income and the Consolidated Statements of Cash Flows for the three months ended February 28/29, 2013 and 2012 are unaudited and, in the opinion of our management, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation. Our interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in the Carnival Corporation & plc 2012 joint Annual Report on Form 10-K. Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year.

Cruise passenger ticket revenues include fees and taxes levied by governmental authorities and collected by us from our guests. The portion of these fees and taxes included in passenger ticket revenues and commissions, transportation and other costs were $139 million and $127 million for the three months ended February 28/29, 2013 and 2012, respectively.

During the three months ended February 28/29, 2013 and 2012, repairs and maintenance expenses, including minor improvement costs and dry-dock expenses, were $225 million and $236 million, respectively, and are substantially all included in other ship operating expenses.

NOTE 2 Debt

At February 28, 2013, our unsecured short-term borrowings consisted of euro-denominated commercial paper of $76 million and euro bank loans of $46 million, with an aggregate weighted-average interest rate of 0.2%.

In December 2012, we issued $500 million of unsecured publicly-traded notes, which bear interest at 1.9% and are due in December 2017. We used the net proceeds of these notes for general corporate purposes.

In February 2013, we issued $500 million of unsecured publicly-traded notes, which bear interest at 1.2% and are due in February 2016. The proceeds were used to repay a like amount of unsecured floating rate export credit facilities prior to their maturity dates through 2022.

NOTE 3 Contingencies

Litigation

As a result of the January 2012 *Costa Concordia* incident (2012 Ship Incident), litigation claims, enforcement actions, regulatory actions and investigations, including, but not limited to, those arising from personal injury, loss of life, loss of or damage to personal property, business interruption losses or environmental damage to any affected coastal waters and the surrounding areas, have been and may be asserted or brought against various parties, including us. The existing assertions are in their initial stages and there are significant jurisdictional uncertainties. The ultimate outcome of these matters cannot be determined at this time. However, we do not expect these matters to have a significant impact on our results of operations because we have insurance coverage for these types of third-party claims.

Additionally, in the normal course of our business, various claims and lawsuits have been filed or are pending against us. Most of these claims and lawsuits are covered by insurance and, accordingly, the maximum amount of our liability, net of any insurance recoverables, is typically limited to our self-insurance retention levels. Management believes the ultimate outcome of these claims and lawsuits will not have a material adverse impact on our consolidated financial statements.

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Contingent Obligations Lease Out and Lease Back Type (LILO) Transactions

At February 28, 2013, Carnival Corporation had estimated contingent obligations totaling $407 million, excluding termination payments as discussed below, to participants in LILO transactions for two of its ships. At the inception of these leases, the aggregate of the net present value of these obligations was paid by Carnival Corporation to a group of major financial institutions, who agreed to act as payment undertakers and directly pay these obligations. As a result, these contingent obligations are considered extinguished and neither the funds nor the contingent obligations have been included in our Consolidated Balance Sheets.

In the event that Carnival Corporation were to default on its contingent obligations and assuming performance by all other participants, we estimate that we would, as of February 28, 2013, be responsible for a termination payment of $33 million. In 2017, we have the right to exercise options that would terminate these LILO transactions at no cost to us.

In certain cases, if the credit ratings of the financial institutions who are directly paying the contingent obligations fall below AA-, then Carnival Corporation will be required to replace these financial institutions with other financial institutions whose credit ratings are at least AA or meet other specified credit requirements. In such circumstances, we would incur additional costs, although we estimate that they would not be material to our consolidated financial statements. For the two financial institution payment undertakers subject to this AA- credit rating threshold, one has a credit rating of AA and the other has a credit rating of AA-. If Carnival Corporation s credit rating, which is BBB+, falls below BBB, it will be required to provide a standby letter of credit for $38 million, or, alternatively, provide mortgages for this aggregate amount on these two ships.

Contingent Obligations Indemnifications

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

NOTE 4 Fair Value Measurements, Derivative Instruments and Hedging Activities

Fair Value Measurements

U.S. accounting standards establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

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

- Level 2 measurements are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or market data other than quoted prices that are observable for the assets or liabilities.

- Level 3 measurements are based on unobservable data that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable market participants at the measurement date. Therefore, even when market assumptions are not readily available, our own assumptions are set to reflect those that we believe market participants would use in pricing the asset or liability at the measurement date.

The fair value measurement of a financial asset or financial liability must reflect the nonperformance risk of the counterparty and us. Therefore, the impact of our counterparty s creditworthiness was considered when in an asset position, and our creditworthiness was considered when in a liability position in the fair value measurement of our financial instruments. Creditworthiness did not have a significant impact on the fair values of our financial instruments at February 28, 2013 and November 30, 2012. Both the counterparties and we are expected to continue to perform under the contractual terms of the instruments. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, certain estimates of fair values presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

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

The estimated carrying and fair values and basis of valuation of our financial instrument assets and liabilities that are not measured at fair value on a recurring basis were as follows (in millions):

	February 28, 2013			November 30, 2012		
	Carrying Value	Fair Value Level 1	Fair Value Level 2	Carrying Value	Fair Value Level 1	Fair Value Level 2
Assets						
Cash and cash equivalents (a)	$ 274	$ 274	$ -	$ 269	$ 269	$ -
Long-term other assets (b)	44	1	40	39	1	36
Total	$ 318	$ 275	$ 40	$ 308	$ 270	$ 36
Liabilities						
Fixed rate debt (c)	$ 6,142	$ -	$ 6,703	$ 5,195	$ -	$ 5,825
Floating rate debt (c)	3,245	-	3,237	3,707	-	3,706
Total	$ 9,387	$ -	$ 9,940	$ 8,902	$ -	$ 9,531

(a) Cash and cash equivalents are comprised of cash on hand and time deposits and, due to their short maturities, the carrying values approximate their fair values.

(b) At February 28, 2013 and November 30, 2012, substantially all of our long-term other assets were comprised of notes and other receivables. The fair values of notes and other receivables were based on estimated future cash flows discounted at appropriate market interest rates.

(c) The net difference between the fair value of our fixed rate debt and its carrying value was due to the market interest rates in existence at February 28, 2013 and November 30, 2012 being lower than the fixed interest rates on these debt obligations, including the impact of changes in our credit ratings, if any. The net difference between the fair value of our floating rate debt and its carrying value was due to the market interest rates in existence at February 28, 2013 and November 30, 2012 being slightly higher than the floating interest rates on these debt obligations, including the impact of changes in our credit ratings, if any. The fair values of our publicly-traded notes were based on their unadjusted quoted market prices in active markets. The fair values of our other debt were estimated based on appropriate market interest rates being applied to this debt.

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

The estimated fair value and basis of valuation of our financial instrument assets and liabilities that are measured at fair value on a recurring basis were as follows (in millions):

	February 28, 2013		November 30, 2012	
	Level 1	**Level 2**	**Level 1**	**Level 2**
Assets				
Cash equivalents (a)	$ 202	$ -	$ 196	$ -
Restricted cash (b)	25	-	28	-
Marketable securities held in rabbi trusts (c)	111	10	104	16
Derivative financial instruments (d)	-	39	-	48
Total	$ 338	$ 49	$ 328	$ 64
Liabilities				
Derivative financial instruments (d)	$ -	$ 49	$ -	$ 43
Total	$ -	$ 49	$ -	$ 43

(a) Cash equivalents are comprised of money market funds.
(b) Restricted cash is comprised of money market funds.
(c) Level 1 and 2 marketable securities are held in rabbi trusts and are primarily comprised of frequently-priced mutual funds invested in common stocks and other investments, respectively. Their use is restricted to funding certain deferred compensation and non-qualified U.S. pension plans.
(d) See Derivative Instruments and Hedging Activities section below for detailed information regarding our derivative financial instruments.

We measure our derivatives using valuations that are calibrated to the initial trade prices. Subsequent valuations are based on observable inputs and other variables included in the valuation models such as interest rate, yield and commodity price curves, forward currency exchange rates, credit spreads, maturity dates, volatilities and netting arrangements. We use the income approach to value derivatives for foreign currency options and forwards, interest rate swaps and fuel derivatives using observable market data for all significant inputs and standard valuation techniques to convert future amounts to a single present value amount, assuming that participants are motivated, but not compelled to transact. We also corroborate our fair value estimates using valuations provided by our counterparties.

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

The reconciliation of the changes in the carrying amounts of our goodwill, which goodwill has been allocated to our North America and Europe, Australia and Asia (EAA) cruise brands, was as follows (in millions):

	North America Cruise Brands	**EAA Cruise Brands**	**Total**
Balance at November 30, 2012	$ 1,898	$ 1,276	$ 3,174
Foreign currency translation adjustment	-	(31)	(31)
Balance at February 28, 2013	$ 1,898	$ 1,245	$ 3,143

At July 31, 2012, all of our cruise brands carried goodwill, except for Ibero Cruises (Ibero) and Seabourn. As of that date, we performed our annual goodwill impairment reviews and no goodwill was impaired. At February 28, 2013, accumulated goodwill impairment charges were

$153 million.

The reconciliation of the changes in the carrying amounts of our intangible assets not subject to amortization, which represent trademarks that have been allocated to our North America and EAA cruise brands, was as follows (in millions):

	North America Cruise Brands	EAA Cruise Brands	Total
Balance at November 30, 2012	$ 927	$ 372	$ 1,299
Foreign currency translation adjustment	-	(11)	(11)
Balance at February 28, 2013	$ 927	$ 361	$ 1,288

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As of July 31, 2012, we also performed our annual trademark impairment review for our cruise brands that have significant trademarks recorded, which are AIDA Cruises (AIDA), P&O Cruises (Australia), P&O Cruises (UK) and Princess Cruises (Princess). No trademarks were considered to be impaired at that time.

The determination of our cruise brand and trademark fair values includes numerous assumptions that are subject to various risks and uncertainties. We believe that we have made reasonable estimates and judgments in determining whether our goodwill and trademarks have been impaired. However, if there is a material change in assumptions used or if there is a material change in the conditions or circumstances influencing fair values, then we may need to recognize a material impairment charge.

At February 28, 2013 and November 30, 2012, our intangible assets subject to amortization are not significant to our consolidated financial statements.

Derivative Instruments and Hedging Activities

We utilize derivative and nonderivative financial instruments, such as foreign currency forwards, options and swaps, foreign currency debt obligations and foreign currency cash balances, to manage our exposure to fluctuations in certain foreign currency exchange rates, and interest rate swaps to manage our interest rate exposure in order to achieve a desired proportion of fixed and floating rate debt. In addition, we utilize our fuel derivatives program to mitigate a portion of the risk to our future cash flows attributable to potential fuel price increases, which we define as our economic risk. Our policy is to not use any financial instruments for trading or other speculative purposes.

All derivatives are recorded at fair value. The changes in fair value are recognized currently in earnings if the derivatives do not qualify as effective hedges, or if we do not seek to qualify for hedge accounting treatment, such as for our fuel derivatives. If a derivative is designated as a fair value hedge, then changes in the fair value of the derivative are offset against the changes in the fair value of the underlying hedged item. If a derivative is designated as a cash flow hedge, then the effective portion of the changes in the fair value of the derivative is recognized as a component of accumulated other comprehensive income (AOCI) until the underlying hedged item is recognized in earnings or the forecasted transaction is no longer probable. If a derivative or a nonderivative financial instrument is designated as a hedge of our net investment in a foreign operation, then changes in the fair value of the financial instrument are recognized as a component of AOCI to offset a portion of the change in the translated value of the net investment being hedged, until the investment is sold or liquidated. We formally document hedging relationships for all derivative and nonderivative hedges and the underlying hedged items, as well as our risk management objectives and strategies for undertaking the hedge transactions.

We classify the fair values of all our derivative contracts as either current or long-term, depending on whether the maturity date of the derivative contract is within or beyond one year from the balance sheet date. The cash flows from derivatives treated as hedges are classified in our Consolidated Statements of Cash Flows in the same category as the item being hedged. Our cash flows related to fuel derivatives are classified within investing activities.

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The estimated fair values of our derivative financial instruments and their location on the Consolidated Balance Sheets were as follows (in millions):

	Balance Sheet Location	February 28, 2013	November 30, 2012
Derivative assets			
Derivatives designated as hedging instruments			
Net investment hedges (a)	Prepaid expenses and other	$ 1	$ 1
	Other assets long-term	5	6
Foreign currency zero cost collars (b)	Prepaid expenses and other	10	11
	Other assets long-term	17	5
Interest rate swaps (c)	Prepaid expenses and other	1	-
		34	23
Derivatives not designated as hedging instruments			
Fuel (d)	Other assets long-term	5	25
Total derivative assets		$ 39	$ 48
Derivative liabilities			
Derivatives designated as hedging instruments			
Interest rate swaps (c)	Accrued liabilities and other	$ 7	$ 7
	Other long-term liabilities	16	17
		23	24
Derivatives not designated as hedging instruments			
Fuel (d)	Accrued liabilities and other	11	16
	Other long-term liabilities	15	3
		26	19
Total derivative liabilities		$ 49	$ 43

(a) At February 28, 2013 and November 30, 2012, we had foreign currency forwards totaling $129 million and $235 million, respectively, that are designated as hedges of our net investments in foreign operations, which have a euro-denominated functional currency. At February 28, 2013, the $129 million of outstanding foreign currency forwards mature through July 2017.

(b) At February 28, 2013 and November 30, 2012, we had foreign currency derivatives consisting of foreign currency zero cost collars that are designated as foreign currency cash flow hedges for a portion of our euro-denominated shipbuilding payments. See Newbuild Currency Risks below for additional information regarding these derivatives.

(c) We have euro interest rate swaps designated as cash flow hedges whereby we receive floating interest rate payments in exchange for making fixed interest rate payments. At February 28, 2013 and November 30, 2012, these interest rate swap agreements effectively changed $257 million and $269 million, respectively, of EURIBOR-based floating rate euro debt to fixed rate debt. These interest rate swaps settle through February 2022. In addition, at February 28, 2013, we had U.S. dollar interest rate swaps designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making floating interest rate payments. These interest rate swap agreements effectively changed $500 million of fixed rate debt to U.S. dollar LIBOR-based floating rate debt. These interest rate swaps settle through February 2016.

(d) At February 28, 2013, we had fuel derivatives consisting of zero cost collars on Brent crude oil (Brent) to cover a portion of our estimated fuel consumption through 2017. See Fuel Price Risks below for additional information regarding these fuel derivatives. At November 30, 2012, we had fuel derivatives consisting of zero cost collars on Brent to cover a portion of our estimated fuel consumption through 2016.

There were no realized gains or losses recognized in the three months ended February 28/29, 2013 and 2012 on our fuel derivatives.

The effective portions of our derivatives qualifying and designated as hedging instruments recognized in other comprehensive income (loss) were as follows (in millions):