ROYAL CARIBBEAN CRUISES LTD
Form 10-Q
April 29, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

OR

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

For the transition period from to

Commission File Number: 1-11884
ROYAL CARIBBEAN CRUISES LTD.
(Exact name of registrant as specified in its charter)

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

1050 Caribbean Way, Miami, Florida 33132
(Address of principal executive offices) (zip code)

(305) 539-6000
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer x   Accelerated filer o   Non-accelerated filer o   Smaller reporting company o
(Do not check if a smaller reporting company)

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

There were 215,241,400 shares of common stock outstanding as of April 22, 2016.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited; in thousands, except per share data)

	Quarter Ended March 31,	
	2016	2015
Passenger ticket revenues	$1,378,167	$1,306,779
Onboard and other revenues	539,628	508,820
Total revenues	1,917,795	1,815,599
Cruise operating expenses:		
Commissions, transportation and other	324,890	324,418
Onboard and other	103,654	116,239
Payroll and related	227,441	211,591
Food	121,510	119,786
Fuel	175,862	205,276
Other operating	288,221	245,307
Total cruise operating expenses	1,241,578	1,222,617
Marketing, selling and administrative expenses	302,021	286,832
Depreciation and amortization expenses	210,764	200,468
Restructuring charges	305	—
Operating Income	163,127	105,682
Other income (expense):		
Interest income	2,720	3,737
Interest expense, net of interest capitalized	(65,446)	(70,159)
Other (expense) income (including a $21.7 million loss related to the 2016 elimination of the Pullmantur reporting lag)	(1,261)	5,970
	(63,987)	(60,452)
Net Income	$99,140	$45,230
Earnings per Share:		
Basic	$0.46	$0.21
Diluted	$0.46	$0.20
Weighted-Average Shares Outstanding:		
Basic	216,914	219,626
Diluted	217,869	220,842
Comprehensive Income		
Net Income	$99,140	$45,230
Other comprehensive income (loss):		
Foreign currency translation adjustments	6,648	(31,544)
Change in defined benefit plans	(3,512)	(1,493)
Gain (loss) on cash flow derivative hedges	2,737	(260,949)
Total other comprehensive income (loss)	5,873	(293,986)
Comprehensive Income (Loss)	$105,013	$(248,756)

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

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ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	As of March 31, 2016 (unaudited)	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$117,360	$121,565
Trade and other receivables, net	253,303	238,972
Inventories	121,392	121,332
Prepaid expenses and other assets	279,707	220,579
Derivative financial instruments	120,524	134,574
Total current assets	892,286	837,022
Property and equipment, net	18,828,743	18,777,778
Goodwill	286,852	286,764
Other assets	955,532	880,479
	$20,963,413	$20,782,043
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	$895,490	$899,542
Accounts payable	371,854	302,072
Accrued interest	80,888	38,325
Accrued expenses and other liabilities	525,551	658,601
Derivative financial instruments	577,493	651,866
Customer deposits	1,946,668	1,742,286
Total current liabilities	4,397,944	4,292,692
Long-term debt	7,806,690	7,627,701
Other long-term liabilities	871,010	798,611
Commitments and contingencies (Note 6)		
Shareholders' equity		
Preferred stock ($0.01 par value; 20,000,000 shares authorized; none outstanding)	—	—
Common stock ($0.01 par value; 500,000,000 shares authorized; 234,544,116 and 233,905,166 shares issued, March 31, 2016 and December 31, 2015, respectively)	2,345	2,339
Paid-in capital	3,298,515	3,297,619
Retained earnings	6,962,858	6,944,862
Accumulated other comprehensive loss	(1,322,560)	(1,328,433)
Treasury stock (18,697,703 and 15,911,971 common shares at cost, March 31, 2016 and December 31, 2015, respectively)	(1,053,389)	(853,348)
Total shareholders' equity	7,887,769	8,063,039
	$20,963,413	$20,782,043

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

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ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Three Months Ended March 31,	
	2016	2015
Operating Activities		
Net income	$99,140	$45,230
Adjustments:		
Depreciation and amortization	210,764	200,468
Net deferred income tax expense (benefit)	827	(520)
(Gain) loss on derivative instruments not designated as hedges	(14,455)	28,083
Changes in operating assets and liabilities:		
Decrease in trade and other receivables, net	10,094	18,095
Decrease (increase) in inventories	274	(2,615)
Increase in prepaid expenses and other assets	(50,524)	(67,772)
Increase in accounts payable	68,515	9,341
Increase in accrued interest	42,564	28,774
Decrease in accrued expenses and other liabilities	(53,108)	(53,681)
Increase in customer deposits	178,316	208,423
Other, net	(14,511)	12,601
Net cash provided by operating activities	477,896	426,427
Investing Activities		
Purchases of property and equipment	(249,840)	(304,644)
Cash received (paid) on settlement of derivative financial instruments	13,101	(45,182)
Investments in and loans to unconsolidated affiliates	—	(54,250)
Cash received on loans to unconsolidated affiliates	7,104	8,280
Other, net	(7,111)	(3,780)
Net cash used in investing activities	(236,746)	(399,576)
Financing Activities		
Debt proceeds	1,519,000	749,800
Debt issuance costs	(22,566)	(16,493)
Repayments of debt	(1,382,270)	(587,111)
Purchases of treasury stock	(200,040)	—
Dividends paid	(162,890)	(131,745)
Proceeds from exercise of common stock options	1,345	4,615
Other, net	659	587
Net cash (used in) provided by financing activities	(246,762)	19,653
Effect of exchange rate changes on cash	1,407	(6,040)
Net (decrease) increase in cash and cash equivalents	(4,205)	40,464
Cash and cash equivalents at beginning of period	121,565	189,241
Cash and cash equivalents at end of period	$117,360	$229,705
Supplemental Disclosure		
Cash paid during the period for:		
Interest, net of amount capitalized	$18,670	$33,664

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

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ROYAL CARIBBEAN CRUISES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

As used in this Quarterly Report on Form 10-Q, the terms “Royal Caribbean,” the “Company,” “we,” “our” and “us” refer to Royal Caribbean Cruises Ltd. and, depending on the context, Royal Caribbean Cruises Ltd.’s consolidated subsidiaries and/or affiliates. The terms “Royal Caribbean International,” “Celebrity Cruises,” “Pullmantur,” “Azamara Club Cruises,” “CDF Croisières de France” and “TUI Cruises” refer to our cruise brands. However, because TUI Cruises is an unconsolidated investment, our operating results and other disclosures herein do not include TUI Cruises unless otherwise specified. In accordance with cruise vacation industry practice, the term “berths” is determined based on double occupancy per cabin even though many cabins can accommodate three or more passengers. This report should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015, including the audited consolidated financial statements and related notes included therein.

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

Note 1. General

Description of Business

We are a global cruise company. We own Royal Caribbean International, Celebrity Cruises, Pullmantur, Azamara Club Cruises, CDF Croisières de France and a 50% joint venture interest in TUI Cruises.

Basis for Preparation of Consolidated Financial Statements

The unaudited consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Estimates are required for the preparation of financial statements in accordance with these principles. Actual results could differ from these estimates. Refer to Note 2. Summary of Significant Accounting Policies in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2015 for a discussion of our significant accounting policies.

All significant intercompany accounts and transactions are eliminated in consolidation. We consolidate entities over which we have control, usually evidenced by a direct ownership interest of greater than 50%, and variable interest entities where we are determined to be the primary beneficiary. Refer to Note 4. Other Assets for further information regarding our variable interest entities. For affiliates we do not control but over which we have significant influence on financial and operating policies, usually evidenced by a direct ownership interest from 20% to 50%, the investment is accounted for using the equity method.

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

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Note 2. Summary of Significant Accounting Policies

Recent Accounting Pronouncements

In May 2014, amended GAAP guidance was issued to clarify the principles used to recognize revenue for all entities. The guidance is based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not comprehensively addressed in the prior accounting guidance. Additionally, in March 2016, amended GAAP guidance was issued clarifying the implementation guidance on principal versus agent considerations. Also under the revenue recognition guidance, in April 2016, amended GAAP guidance was issued to improve the accounting of revenue from contracts with customers. The amendments clarify the guidance associated with identifying performance obligations and licensing. The revenue recognition guidance discussed above must be applied using one of two retrospective application methods and will be effective for our annual reporting period beginning after December 15, 2017, including interim periods therein. Early adoption is permitted for our annual reporting period beginning after December 15, 2016, including interim periods therein. We are currently evaluating the impact, if any, of the adoption of the revenue recognition guidance to our consolidated financial statements.

In August 2014, GAAP guidance was issued requiring management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued and provide related disclosures. This guidance will be effective for our annual reporting period ending after December 15, 2016 and for annual periods and interim periods thereafter. Early adoption is permitted. The adoption of this newly issued guidance is not expected to have an impact to our consolidated financial statements.

In July 2015, amended GAAP guidance was issued to simplify the measurement of inventory for all entities. The amendments apply to all inventory that is measured using first-in, first-out or average cost. The guidance requires an entity to measure inventory at the lower of cost and net realizable value. The guidance must be applied prospectively and will be effective for our interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted as of the beginning of an interim or annual reporting period. The adoption of this newly issued guidance is not expected to have a material impact to our consolidated financial statements.

In November 2015, amended GAAP guidance was issued to simplify the presentation of deferred income taxes. The amendments require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position and eliminates the classification between current and noncurrent amounts. The guidance will be effective for financial statements issued for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. An entity can elect to adopt the amendments either prospectively or retrospectively. Early adoption is permitted as of the beginning of an interim or annual reporting period. The adoption of this newly issued guidance is not expected to have a material impact to our consolidated financial statements.

In January 2016, amended GAAP guidance was issued to address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments primarily impact the accounting for certain equity investments, the accounting for financial liabilities subject to the fair value option and the presentation and disclosure requirements for financial instruments. The guidance will be effective for financial statements issued for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted for financial statements of fiscal years and interim periods that have not yet been issued or that have not yet been made available for issuance as of the beginning of the fiscal year of adoption. The adoption of this newly issued guidance is not expected to have a material impact to our consolidated financial statements.

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

In March 2016, amended GAAP guidance was issued addressing the effect of derivative contract novations on existing hedge accounting relationships. The amendments clarify that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. The guidance must be applied using a prospective or modified retrospective application method and will be effective for financial statements issued for fiscal years beginning after December 15, 2016 and

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interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The adoption of this newly issued guidance is not expected to have a material impact to our consolidated financial statements.

In March 2016, amended GAAP guidance was issued addressing contingent put and call options in debt instruments. The amendments clarify the requirements for assessing whether contingent call and put options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts, or whether the embedded call and put options should be bifurcated from the related debt instrument and accounted for separately as a derivative. The guidance must be applied using a modified retrospective approach and will be effective for financial statements issued for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the impact, if any, of the adoption of this newly issued guidance to our consolidated financial statements.

In March 2016, amended GAAP guidance was issued to simplify the transition to the equity method of accounting. The amendments eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations and retained earnings retroactively on a step-by step basis as if the equity method had been in effect during all previous periods that the investment had been held. The guidance must be applied prospectively and will be effective for financial statements issued for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact, if any, of the adoption of this newly issued guidance to our consolidated financial statements.

In March 2016, amended GAAP guidance was issued to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance will be effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the impact of the adoption of this newly issued guidance to our consolidated financial statements.

Other

Revenues and expenses include port costs that vary with guest head counts. The amounts of such port costs included in Passenger ticket revenues on a gross basis were $144.4 million and $127.1 million for the first quarters of 2016 and 2015, respectively.

Reclassifications

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

Note 3. Earnings Per Share

A reconciliation between basic and diluted earnings per share is as follows (in thousands, except per share data):

	Quarter Ended March 31,	
	2016	2015

Net income for basic and diluted earnings per share	$99,140	$45,230
Weighted-average common shares outstanding	216,914	219,626
Dilutive effect of stock options, performance share awards and restricted stock awards	955	1,216
Diluted weighted-average shares outstanding	217,869	220,842
Basic earnings per share	$0.46	$0.21
Diluted earnings per share	$0.46	$0.20

There were no antidilutive shares for the quarters ended March 31, 2016 and March 31, 2015, respectively.

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Note 4. Other Assets

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

We have determined that TUI Cruises GmbH, our 50%-owned joint venture, which operates the brand TUI Cruises, is a VIE. As of March 31, 2016 and December 31, 2015, our equity investment in TUI Cruises was approximately $306.5 million and $293.8 million, respectively. This amount was included within Other assets in our consolidated balance sheets. In addition, we and TUI AG, our joint venture partner, have each guaranteed the repayment of 50% of a bank loan. As of March 31, 2016, the outstanding principal amount of the loan was €132.1 million, or approximately $150.6 million based on the exchange rate at March 31, 2016. While this loan matures May 2022, the lenders have agreed to release each shareholder's guarantee in 2018. The loan amortizes quarterly and is secured by first mortgages on the Mein Schiff 1 and Mein Schiff 2 vessels. Based on current facts and circumstances, we do not believe potential obligations under our guarantee of this bank loan are probable.

In April 2016, we completed the previously announced sale of Splendour of the Seas to TUI Cruises for €188 million, or $213 million. Concurrently with the acquisition, TUI Cruises leased the ship to Thomson Cruises, a subsidiary of TUI Group, who will operate the ship. In connection with the sale, we provided TUI Cruises with seller's financing to be repaid to us over 10 years. The resulting term loan is 50% guaranteed by TUI AG and is secured by a first priority mortgage on the ship. Interest accrues at the rate of 6.25% per annum. The sale resulted in an immaterial gain.

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

As of March 31, 2016, TUI Cruises has four newbuild ships on order scheduled to be delivered in each of 2016, 2017, 2018 and 2019. TUI Cruises has in place agreements for the secured financing of each of the ships on order for up to 80% of the contract price. Finnvera, the official export credit agency of Finland, has agreed to guarantee to the lenders payment of 95% of each financing. The remaining portion of the contract price of the ships is expected to be funded through an existing €150.0 million bank facility and TUI Cruises' cash flows from operations. The various ship construction and financing agreements include certain restrictions on each of our and TUI AG's ability to reduce our current ownership interest in TUI Cruises below 37.55% through 2021.

We have determined that Grand Bahama Shipyard Ltd. ("Grand Bahama"), a ship repair and maintenance facility in which we have a 40% noncontrolling interest, is a VIE. The facility serves cruise and cargo ships, oil and gas tankers and offshore units. We utilize this facility, among other ship repair facilities, for our regularly scheduled drydocks and certain emergency repairs as may be required. During the quarter ended March 31, 2016, we made payments of $21.1 million to Grand Bahama for ship repair and maintenance services. We have determined that we are not the primary beneficiary of this facility as we do not have the power to direct the activities that most significantly impact the facility's economic performance. Accordingly, we do not consolidate this entity and we account for this investment under the equity method of accounting. As of March 31, 2016, the net book value of our investment in Grand Bahama was approximately $49.0 million, consisting of $17.5 million in equity and a loan of $31.5 million. As of December 31, 2015, the net book value of our investment in Grand Bahama was approximately $51.2 million, consisting of $12.6 million in equity and a loan of $38.6 million. These amounts represent our maximum exposure to loss related to our investment in Grand Bahama. Our debt agreement with Grand Bahama was amended during the quarter ended March 31, 2016 to extend the maturity by 10 years and increase the applicable interest rate to the lower of (i) LIBOR plus 3.50% and (ii) 5.5%. Interest payable on the loan is due on a semi-annual basis. We will continue to classify the loan, as modified, as non-accrual status. The loan balance is included within Other assets in our consolidated balance sheets. During the quarter ended March 31, 2016, we received principal payments of approximately $7.1 million. We monitor credit risk associated with the loan through our participation on Grand Bahama’s board of directors along with our review of Grand Bahama’s financial statements and projected cash flows. Based on this review, we believe the risk of loss associated with the outstanding loan is not probable as of March 31, 2016.

We have determined that Skysea Holding International Ltd. ("Skysea Holding"), in which we have a 35% noncontrolling interest, is a VIE for which we are not the primary beneficiary, as we do not have the power to direct the activities that most

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significantly impact the entity's economic performance. Accordingly, we do not consolidate this entity and we account for this investment under the equity method of accounting. In December 2014, we and Ctrip.com International Ltd, which also owns 35% of Skysea Holding, each provided a debt facility to a wholly owned subsidiary of Skysea Holding in the amount of $80.0 million. Interest under these facilities, which mature in January 2030, initially accrues at a rate of 3.0% per annum with an increase of at least 0.5% every two years through maturity. The facilities, which are pari passu to each other, are each 100% guaranteed by Skysea Holding and are secured by first priority mortgages on the ship, Golden Era. As of March 31, 2016 and December 31, 2015, our investment in Skysea Holding and its subsidiaries, including equity and loans, was approximately $96.9 million and $99.8 million, respectively. These amounts were included within Other assets in our consolidated balance sheets and represent our maximum exposure to loss related to our investment in Skysea Holding.

Our share of income from investments accounted for under the equity method of accounting, including the entities discussed above, was $21.0 million and $9.2 million for the quarters ended March 31, 2016 and March 31, 2015, respectively, and was recorded within Other (expense) income. We received $0.8 million and $1.2 million of dividends from our equity method investees for the quarters ended March 31, 2016 and March 31, 2015, respectively. We also provide ship management and procurement services to TUI Cruises GmbH and Skysea Holding and recorded $4.4 million and $5.7 million in revenues and $3.5 million and $3.2 million in expenses for these services during the quarters ended March 31, 2016 and March 31, 2015, respectively. These amounts were recorded within Onboard and other revenues and Other operating expenses, respectively.

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Note 5. Long-Term Debt

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

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

In April 2016, we took delivery of Ovation of the Seas. To finance the purchase, we borrowed $841.8 million under a previously committed unsecured term loan which is 95% guaranteed by Euler Hermes Deutschland AG ("Hermes"), the official export credit agency of Germany. The loan amortizes semi-annually over 12 years and bears interest at LIBOR plus a margin of 1.00%, currently totaling 1.91%. During 2015, we entered into forward-starting interest rate swap agreements which effectively converted $830.0 million of the loan from the floating rate available to us per the credit agreement to a fixed rate, including the applicable margin, of 3.16% effective from April 2016 through the term of the loan. See Note 9. Fair Value Measurements and Derivative Instruments for further information regarding these agreements.

In April 2016, we entered into and drew in full on a credit agreement which provides an unsecured term loan in the amount of $200 million. The loan is due and payable at maturity in April 2017. Interest on the loan accrues at a floating rate based on LIBOR plus a margin of 1.30%, currently totaling 1.74%. The proceeds from this loan were used to repay amounts outstanding under our unsecured revolving credit facilities.

Note 6. Commitments and Contingencies

As of March 31, 2016, the aggregate cost of our ships on order, not including the TUI Cruises' ships on order, was approximately $8.0 billion, of which we had deposited $554.1 million as of such date. Approximately 58.0% of the aggregate cost was exposed to fluctuations in the Euro exchange rate at March 31, 2016. Refer to Note 9. Fair Value Measurements and Derivative Instruments for further information.

Litigation

A class action complaint was filed in June 2011 against Royal Caribbean Cruises Ltd. in the United States District Court for the Southern District of Florida on behalf of a purported class of stateroom attendants employed onboard Royal Caribbean International cruise vessels. The complaint alleged that the stateroom attendants were required to pay other crew members to help with their duties and that certain stateroom attendants were required to work back of house assignments without the ability to earn gratuities, in each case in violation of the U.S. Seaman's Wage Act. In May 2012, the district court granted our motion to dismiss

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the complaint on the basis that the applicable collective bargaining agreement requires any such claims to be arbitrated. The United States Court of Appeals, 11th Circuit, affirmed the district court's dismissal and denied the plaintiffs' petition for re-hearing and re-hearing en banc. In October 2014, the United States Supreme Court denied the plaintiffs' request to review the order compelling arbitration. Subsequently, approximately 575 crew members submitted demands for arbitration. The demands make substantially the same allegations as in the federal court complaint and are similarly seeking damages, wage penalties and interest in an indeterminate amount. Unlike the federal court complaint, the demands for arbitration are being brought individually by each of the crew members and not on behalf of a purported class of stateroom attendants. In February 2016, we settled this matter as to all demanding crew members in exchange for our payment in the aggregate of an immaterial amount.

In April 2015, the Alaska Department of Environmental Conservation issued Notices of Violation to Royal Caribbean International and Celebrity Cruises seeking monetary penalties for alleged violations of the Alaska Marine Visible Emission Standards that occurred over the past five years on certain of our vessels. We believe we have meritorious defenses to the allegations and we are cooperating with the state of Alaska. We do not believe that the ultimate outcome of these claims will have a material adverse impact on our financial condition or results of operations and cash flows.

We are routinely involved in other claims typical within the cruise vacation industry. The majority of these claims are covered by insurance. We believe the outcome of such claims, net of expected insurance recoveries, will not have a material adverse impact on our financial condition or results of operations and cash flows.

Other

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

Note 7. Shareholders' Equity

During the first quarter of 2016, we declared and paid a cash dividend on our common stock of $0.375 per share. During the first quarter of 2016, we also paid a cash dividend on our common stock of $0.375 per share which was declared during the fourth quarter of 2015.

During the first quarter of 2015, we declared and paid a cash dividend on our common stock of $0.30 per share. During the first quarter of 2015, we also paid a cash dividend on our common stock of $0.30 per share which was declared during the fourth quarter of 2014.

In October 2015, our board of directors authorized a common stock repurchase program for up to $500 million. The timing and number of shares purchased depend on a variety of factors including price and market conditions. During the first quarter of 2016, we purchased 2.8 million shares for a total of $200.0 million in open market transactions that were recorded within Treasury stock in our consolidated balance sheet. During April 2016, we purchased an additional 0.6 million shares for a total of $50.0 million in open market transactions. Following these repurchases, as well as the $200.0 million repurchase in the fourth quarter of 2015, we have $50 million that remains available for future stock repurchase transactions under our Board approved program. Future stock repurchase transactions could include open market purchases or accelerated share repurchases. We expect to complete the program by the end of 2016.

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Note 8. Changes in Accumulated Other Comprehensive Income (Loss)

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

	Accumulated Other Comprehensive Income (Loss) for the Quarter Ended March 31, 2016				Accumulated Other Comprehensive Income (Loss) for the Quarter Ended March 31, 2015			
	Changes related to cash flow derivative hedges	Changes in defined benefit plans	Foreign currency translation adjustments	Accumulated other comprehensive loss	Changes related to cash flow derivative hedges	Changes in defined benefit plans	Foreign currency translation adjustments	Accumulated other comprehensive loss
Accumulated comprehensive loss at beginning of the year	$(1,232,073)	$(26,447)	$(69,913)	$(1,328,433)	$(826,026)	$(31,207)	$(39,761)	$(896,994)
Other comprehensive (loss) income before reclassifications	(99,659)	(3,797)	6,648	(96,808)	(322,383)	(2,056)	(31,544)	(355,983)
Amounts reclassified from accumulated other comprehensive loss	102,396	285	—	102,681	61,434	563	—	61,997
Net current-period other comprehensive income (loss)	2,737	(3,512)	6,648	5,873	(260,949)	(1,493)	(31,544)	(293,986)
Ending balance	$(1,229,336)	$(29,959)	$(63,265)	$(1,322,560)	$(1,086,975)	$(32,700)	$(71,305)	$(1,190,980)

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

	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income		
Details About Accumulated Other Comprehensive Income (Loss) Components	Quarter Ended March 31, 2016	Quarter Ended March 31, 2015	Affected Line Item in Statements of Comprehensive Income (Loss)
Loss on cash flow derivative hedges:			
Interest rate swaps	$ (9,128)	$ (6,786)	Interest expense, net of interest capitalized
Foreign currency forward contracts	(718)	(718)	Depreciation and amortization expenses
Foreign currency forward contracts	6,087	(238)	Other (expense) income
Foreign currency collar options	(602)	—	Depreciation and amortization expenses

Fuel swaps	(7,335)	—	Other (expense) income
Fuel swaps	(90,700)	(53,692)	Fuel
	(102,396)	(61,434)	
Amortization of defined benefit plans:			
Actuarial loss	(285)	(354)	Payroll and related
Prior service costs	—	(209)	Payroll and related
	(285)	(563)	
Total reclassifications for the period	$ (102,681)	$ (61,997)	

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Note 9. Fair Value Measurements and Derivative Instruments

Fair Value Measurements

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

	Fair Value Measurements at March 31, 2016 Using					Fair Value Measurements at December 31, 2015 Using				
Description	Total Carrying Amount	Total Fair Value	Level 1[1]	Level 2[2]	Level 3[3]	Total Carrying Amount	Total Fair Value	Level 1[1]	Level 2[2]	Level 3[3]
Assets:										
Cash and cash equivalents[4]	$117,360	$117,360	$117,360	$ —	$ —	$121,565	$121,565	$121,565	$ —	$ —
Total Assets	$117,360	$117,360	$117,360	$ —	$ —	$121,565	$121,565	$121,565	$ —	$ —
Liabilities:										
Long-term debt (including current portion of long-term debt)[5]	$8,655,603	$9,039,755								