UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): May 5, 2020

NORWEGIAN CRUISE LINE HOLDINGS LTD.
(Exact name of registrant as specified in its charter)

Bermuda	**001-35784**	**98-0691007**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

7665 Corporate Center Drive, Miami, Florida 33126
(Address of principal executive offices, and Zip Code)

(305) 436-4000
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary shares, par value $0.001 per share	NCLH	The New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2 of this chapter).
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01 Other Events.

On May 5, 2020, Norwegian Cruise Line Holdings Ltd. ("NCLH") provided an update regarding its liquidity and management's plans in anticipation of additional financing transactions. In light of this update, NCLH updated its risk factors by providing additional risk factors, set forth below.

Additionally, in Exhibit 99.1 to this Current Report on Form 8-K (i)NCLH updated Note 2 of its consolidated financial statements ("Financial Statements") in its Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 Form 10-K") to add a "Liquidity and Management's Plan" discussion and updated Note 18 of the Financial Statements in the 2019 Form 10-K to add a discussion on debt amortization deferrals and litigation matters and investigations by governmental agencies since December 31, 2019 in connection with events surrounding COVID-19 and (ii) NCLH's independent registered public accounting firm, reissued its report to include a paragraph noting management's conclusion regarding substantial doubt about the Company's ability to continue as a going concern. See below for a further discussion regarding this determination. Other than as described in the preceding sentences, Exhibit 99.1 does not revise, modify, update or otherwise affect the 2019 Form 10-K, including the Financial Statements.

Together with its consolidated subsidiaries, NCLH is referred to in this report as the "Company," "our," "us" and "we."

Update on Liquidity and Management's Plan

Due to the continued spread of the novel coronavirus ("COVID-19") and the effects of growing travel restrictions and limited access to ports around the world, in March 2020, the Company implemented a voluntary suspension of all cruise voyages across its three brands, which has subsequently been extended through June 30, 2020. On March 14, 2020, concurrent with our and the broader cruise industry's suspension, the U.S. Centers for Disease Control and Prevention ("CDC") issued a No Sail Order through April 13, 2020. On April 9, 2020, the CDC modified its existing No Sail Order to extend it until the earliest of (a) the expiration of the Secretary of Health and Human Services' declaration that COVID-19 constitutes a public health emergency, (b) the date the Director of the CDC rescinds or modifies the No Sail Order or (c) 100 days after the order appears on the Federal Register, which would be July 24, 2020. In addition, the duration of any voluntary suspensions we have implemented and resumption of operations outside of the United States will be dependent, in part, on various travel restrictions and travel bans issued by various countries around the world, as well as the availability of ports around the world. Significant events affecting travel, including COVID-19, typically have an impact on the demand for cruise vacations, with the full extent of the impact generally determined by the length of time the event influences travel decisions. We believe the ongoing effects of COVID-19 on our operations and global bookings have had, and will continue to have, a significant impact on our financial results and liquidity, and such negative impact may continue well beyond the containment of such an outbreak. This is the first time that we have completely suspended cruise voyages, and as a result of these unprecedented circumstances, we are not able to predict the full impact of such a suspension on our Company. In addition, the magnitude and duration of the global pandemic is uncertain. Consequently, we cannot estimate the full impact on our business, financial condition or near- or longer-term financial or operational results with reasonable certainty, but we expect to report a net loss on both a U.S. GAAP and adjusted basis for the quarter ended March 31, 2020 and the year ending December 31, 2020.

At December 31, 2019, the Company had a total of approximately $6 billion of total long-term debt obligations. As previously disclosed, beginning on or around March 12, 2020, NCL Corporation Ltd.("NCLC") borrowed the full amount of $1.55 billion under its $875 million revolving credit facility, dated as of January 2, 2019 and maturing on January 2, 2024, with JPMorgan Chase Bank, N.A. ("JPM"), as administrative agent and as collateral agent, and certain other lenders party thereto, and its $675 million revolving credit facility, dated as of March 5, 2020 and maturing on March 4, 2021, with JPM, as administrative agent and as collateral agent, and certain other lenders party thereto.

In March 2020, Moody's downgraded the long-term issuer and senior unsecured debt ratings of NCLC to Ba2 from Ba1, including its corporate family rating and senior secured bank facility, and to B1 from Ba2 on its senior unsecured rating. In April 2020, S&P Global downgraded the issuer credit rating of NCLC to BB- from BB+.

At December 31, 2019 and March 31, 2020, we were in compliance with all of our debt covenants. If we do not continue to remain in compliance with these covenants, we would have to seek additional amendments to these covenants. However, no assurances can be made that such amendments would be approved by our lenders. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default and/or cross acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated, which could have a material adverse impact to our operations and liquidity.

We have taken several measures to improve our liquidity through refinancing existing debt amortization, including under our agreements with export credit agencies ("ECAs") and related governments and to extend the maturities and refinancing amortization under other agreements. As previously disclosed, we have obtained lender consents to refinance amortization payments and waive financial covenants during the specified period under our ECA backed facilities on the basis of debt holiday principles published by the relevant ECAs. Beginning on April 20, 2020, NCLC amended the export-credit backed facilities that finance Norwegian Bliss, Norwegian Breakaway, Norwegian Encore, Norwegian Escape, Norwegian Getaway and Norwegian Joy to incorporate the terms of a 12-month debt holiday initiative offered to the cruise industry by Euler Hermes Aktiengesellschaft ("Hermes"), the official ECA of Germany. The debt holiday was initiated to provide interim debt service and financial covenant relief for borrowers during the current global COVID-19 pandemic with respect to their Hermes guaranteed financings. Across these facilities, the amendments with Hermes provide approximately $385 million of incremental liquidity to the Company through March 31, 2021. We are in the process of seeking consents to amend our export-credit backed facilities to incorporate the terms of a 12-month debt holiday initiative offered to the cruise industry by Servizi Assicurativi del Commercio Estero ("SACE"), the official ECA of Italy, to refinance the amortization payments on such facilities, but we cannot guarantee the outcome of that process. Beginning on April 28, 2020, NCLC amended the credit facilities secured by Pride of America and Norwegian Epic to extend the maturities. Subject to the Company raising at least $1 billion in financing by June 30, 2020, the credit facility secured by Norwegian Epic will be further extended and approximately $75 million of the amortization for the credit facility secured by Norwegian Jewel will be deferred. In addition, we are finalizing an amendment to our Term Loan A, which amendment will defer approximately $70 million of amortization. The deferred amortization of approximately $145 million will be repaid 25% per year beginning May 2021 with the remaining balance due at the respective maturities. These amendments provide approximately $1 billion of incremental liquidity to the Company. While we cannot guarantee the outcome, we will continue to pursue additional refinancings on certain of our remaining debt facilities.

The Company is currently evaluating several different strategies to enhance its liquidity position as a result of the significant financial and operational impacts due to the outbreak of the COVID-19. These strategies may include, but are not limited to, pursuing additional financing from both the public and private markets through the issuance of equity and/or debt securities, which may include secured debt. The Company's ability to raise additional capital in the equity and debt markets is dependent on a number of factors, including, but not limited to, the market demand for the Company's ordinary shares, which itself is subject to a number of development and business risks and uncertainties, as well as the uncertainty that the Company would be able to raise such additional capital at a price or on terms that are favorable to the Company. If the Company issues equity or debt securities to raise additional funding, its existing shareholders may experience dilution, it may incur significant financing costs, and the new equity or debt securities may have rights, preferences and privileges senior to those of its existing shareholders. If the Company issues debt securities to raise additional funding, it would incur additional debt service obligations, it could become subject to additional restrictions limiting its ability to operate its business, and it may be required to further encumber its assets. If we are successful in completing a financing transaction(s), we believe the net proceeds of any such transactions, together with revenues from operation of the business following the resumption of our cruise voyages, will be sufficient to provide the liquidity necessary to satisfy its obligations over the next twelve months, including the maintenance of minimum levels of liquidity required by certain of our debt agreements.

We are taking significant measures to mitigate the financial and operational impacts of COVID-19 as well as additional actions to improve our liquidity through cost reduction and cash conservation measures. In particular, we have identified approximately $515 million of capital expenditure reductions, comprised of approximately $345 million of reduction opportunities from planned 2020 non-newbuild capital expenditures and are in negotiations to further reduce our capital expenditures for newbuild related payments by approximately $170 million (which reduction does not take into account the impact on timing of payments in connection with newbuilds as a result of the potential delays in ship deliveries). If successful, the Company's next newbuild related payments would not be until April 2021. We have also identified various projects and initiatives to reduce our ship operating costs and selling, general and administrative expenses, which we expect will result in reduced cash outflows and cost savings. We are undertaking meaningful reductions in ship operating expense including food, fuel, insurance, port charges and reduced crew manning of vessels during the suspension, resulting in lower crew payroll expense. The majority of the vessels in the Company's fleet are currently transitioning to cold layup[1], to further reduce operating expenses during the suspension. Some other initiatives already implemented include the significant reduction or deferral of marketing expenditures in the first half of 2020, the implementation of a company-wide hiring freeze, the introduction of a temporary shortened work week and reduced work hours with a commensurate 20% salary reduction for shoreside team members, a pause in our 401(k) matching contributions and corporate travel freezes for shoreside employees. Further, as part of the Company's ongoing strategy to improve its ability to sustain the long-term health of the business and to preserve financial flexibility during the COVID-19 crisis, on April 29, 2020, the Company informed its workforce that approximately 20% of the Company's shoreside employees will be furloughed. The furlough period will generally begin on May 1, 2020 and is expected to continue through July 31, 2020, however, we may change this date to be earlier or later based on continued business needs. While on furlough, employees will not receive salary or hourly wages, but will continue to receive health benefit coverage if they currently participate in a Company sponsored plan. Shoreside employees who have not been furloughed will have a temporary shortened work week and reduced work hours with a commensurate 20% salary reduction through at least June 22, 2020.

The Company has experienced substantial impacts related to the emergence of the COVID-19 global pandemic including meaningful softness in near-term demand and elevated cancellations. As of April 24, 2020, advanced bookings for the remainder of 2020 were meaningfully lower than the prior year with pricing down mid-single digits. Booking trends indicate demand for cruise vacations in the medium and longer term with the booked position for 2021 slightly lower compared to same time last year at pricing that is down mid-single digits versus prior year. During the temporary suspension of our cruise voyages, we expect to be required to pay cash refunds of advanced ticket sales with respect to a portion of our cancelled cruises. All three brands have instituted programs for guests on canceled sailings as a result of the Company's voyage suspension which include offering value-add future cruise credits typically for 125% of the cruise fare paid in lieu of providing cash refunds. As of March 31, 2020, the Company had $1.8 billion of advanced ticket sales. This includes approximately $850 million for previously announced voyage cancellations through June 30, 2020 where guests have the option of either a future cruise credit or a cash refund and approximately $350 million for voyages scheduled for the remainder of 2020. Depending on the length of the suspension and level of guest acceptance of future cruise credits, we may be required to provide cash refunds for a substantial portion of the balance, as guests on cancelled sailings were automatically awarded future cruise credits and have the opportunity to contact us to request a cash refund rather than future cruise credits. As of April 24, 2020, approximately half of the guests who have had their voyages cancelled and who have contacted us have requested cash refunds. There can be no assurance that the percentage of passengers that accept future cruise certificates over cash refunds will remain in this range as the number of cancelled voyages increases. Guests who have accepted future cruise credits may utilize those credits until December 31, 2022. The use of such credits may prevent us from future cash collections as staterooms booked by guests with such credits will not be available for sale, resulting in less cash collected from bookings to new guests; however, we may benefit from the onboard revenue from these guests. We continue to take future bookings for 2020, 2021 and 2022, and receive new customer deposits and final payments on these bookings which will offset a portion of the outflow from expected cash refunds.

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[1] Warm layup involves a reduced level of crew staffing while a ship is at port awaiting the restart of operations. Cold layup involves a further reduction of the level of crew staffing from warm layup while a ship is in a prolonged layup.

We have agreements with credit card processors to process the sale of tickets and other services that govern approximately $1.6 billion at December 31, 2019 in advance ticket sales that have been received by the Company relating to future voyages. These agreements allow the credit card processors to require under certain circumstances, including the existence of a material adverse change, excessive chargebacks and other triggering events, that the Company maintain a reserve, which reserve could be funded by the credit card companies withholding or offsetting our credit card receivables, or our posting of cash or other collateral. We have seen an increase in demand from consumers for refunds on their tickets from cancelled voyages and the impacts of COVID-19 and as a result, certain of our credit card processors could require us to maintain a reserve or post collateral in accordance with the terms of our agreements with them. Because of COVID-19, we have been in discussions with our credit card processors regarding the nature of collateral, if any, relating to these agreements, and if we were required to post collateral or otherwise maintain a reserve, our financial position and liquidity could be materially impacted.

The factors described above, in particular the suspension of cruise voyages and decline in advanced bookings, as well as debt maturities and other obligations over the next year, and the fact that management's plan to obtain additional financing has not yet been completed, have raised substantial doubt about the Company's ability to continue as a going concern, as the Company does not have sufficient liquidity to meet its obligations over the next twelve months, assuming no additional financing or other proactive measures. As detailed above, the Company has taken, and anticipates taking, significant additional actions to increase liquidity, extend debt maturities, delay obligations and reduce operating costs. In addition, the Company has been evaluating a number of financing transactions that, if successful, would provide net proceeds which are anticipated to be sufficient to provide the liquidity necessary to satisfy its obligations over the next twelve months, including the maintenance of minimum levels of liquidity required by certain of our debt agreements. There can be no assurance, however, that the Company will be able to complete any such financing transaction, raise sufficient additional capital, finalize additional amortization deferrals or that revenues will increase rapidly enough to offset operating losses that will provide with sufficient liquidity to satisfy its obligations over the next twelve months or maintain minimum levels of liquidity as required by certain of our debt agreements.

Update to Risk Factors

The following risk factors are provided to update the risk factors of the Company previously disclosed in periodic reports filed with the SEC, including its 2019 Form 10-K.

COVID-19 has had, and is expected to continue to have, a significant impact on our financial condition and operations, which adversely affects our ability to obtain acceptable financing to fund resulting reductions in cash from operations. The current, and uncertain future, impact of the COVID-19 outbreak, including its effect on the ability or desire of people to travel (including on cruises), is expected to continue to impact our results, operations, outlook, plans, goals, growth, reputation, cash flows, liquidity, demand for voyages and share price.

In late 2019, an outbreak of COVID-19 was identified in Wuhan, China. The COVID-19 outbreak has since spread and grown globally, including within the United States and, in March 2020, the President of the United States declared a national emergency. The spread of COVID-19 and the recent developments surrounding the global pandemic are having significant negative impacts on all aspects of our business. On March 13, 2020, we implemented a voluntary suspension of cruise voyages across our three brands through April 11, 2020. On March 30, 2020, we announced an extension of this suspension through May 10, 2020 and on April 24, 2020, further extended the suspension through June 30, 2020. The suspension may be extended again, and the total length of the suspension may be prolonged. All 28 ships in the Company's fleet are in safe haven in port or at anchor and all passengers were disembarked by March 28, 2020. Some of our crew members have not disembarked from our ships. We are actively working to disembark those crew members and transport them safely to their home countries but our ability to do so is dependent on a number of factors, including the ability to transport crew members to their home countries, such as the limited number of commercial flights and charter options available, and governmental restrictions and regulations with respect to disembarking crew members. In addition, we have been, and will continue to be further, negatively impacted by related developments, including heightened governmental regulations and travel advisories, including recommendations and orders by the U.S. Department of State, the CDC and the Department of Homeland Security and travel bans and restrictions, including the CDC's No Sail Order, each of which has impacted, and is expected to continue to significantly impact, global guest sourcing and our access to various ports of call.

To date the outbreak of COVID-19 has resulted in significant costs and lost revenue as a result of reduced demand for cruise vacations, guest compensation, itinerary modifications, redeployments and cancellations, travel restrictions and advisories, the unavailability of ports and/or destinations, costs to return our passengers and certain crew members to their home destinations and expenses to assist some of our crew that will be unable to return home with food and housing. We will continue to incur COVID-19 related costs as we sanitize our ships and implement additional health-related protocols on our ships. In addition, the industry 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 may be subject to concerns that cruises are susceptible to the spread of infectious diseases like COVID-19.

Between March 12, 2020 and April 30, 2020, three class action lawsuits were filed against the Company under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), and Rule 10b-5 promulgated thereunder, alleging that the Company made false and misleading statements to the market and customers about COVID-19. In addition, in March 2020 the Florida Attorney General announced an investigation related to the Company’s marketing during the COVID-19 outbreak. Following the announcement of the investigation by the Florida Attorney General, we received notifications from other attorneys general and governmental agencies that they are conducting similar investigations. We may be the subject of additional lawsuits and investigations stemming from COVID-19. We cannot predict the number or outcome of any such proceedings and the impact that they will have on our financial results, but any such impact may be material.

We have nine newbuilds on order, scheduled to be delivered through 2027. We expect that the effects of COVID-19 on the shipyards where our ships are under construction (or will be constructed) will result in delays in ship deliveries, which may be prolonged.

We cannot predict when any of our ships will begin to sail again or when ports will reopen to our ships. Moreover, even once travel advisories and restrictions are lifted, demand for cruises may remain weak for a significant length of time and we cannot predict if and when each brand will return to pre-outbreak demand or pricing. Due to the discretionary nature of leisure travel spending and the competitive nature of the cruise industry, our revenues are heavily influenced by the condition of the U.S. economy and economies in other regions of the world. Unfavorable conditions in these broader economies have resulted, and may result in the future, in decreased demand for cruise vacations, changes in booking practices and related reactions by our competitors, all of which in turn have had, and may have in the future, a strong negative effect on our business. In particular, our bookings may be negatively impacted by the adverse changes in the perceived or actual economic climate, including higher unemployment rates, declines in income levels and loss of personal wealth resulting from the impact of COVID-19. The ongoing COVID-19 pandemic and associated decline in economic activity and increase in unemployment levels are expected to have a severe and prolonged effect on the global economy generally and, in turn, is expected to depress demand for cruise vacations into the foreseeable future. Due to the uncertainty surrounding the duration and severity of this pandemic, we can provide no assurance as to when and at what pace demand for cruise vacations will return to pre-pandemic levels, if at all. Accordingly, we cannot predict the full impact of COVID-19 on our business, financial condition and results of operations. In addition, we cannot predict the impact COVID-19 will have on our partners, such as travel agencies, suppliers and other vendors. We may be adversely impacted as a result of the adverse impact our partners suffer.

This is the first time we have completely suspended our cruise voyages, and as a result of these unprecedented circumstances we are not able to predict the full impact of such a suspension on our Company. In particular, we cannot predict the impact on our financial performance and our cash flows required for cash refunds of fares for cancelled sailings as a result of the suspension in our cruise voyages, which may be prolonged, and the public’s concern regarding the health and safety of travel, including by cruise ship, and related decreases in demand for travel and cruising. Depending on the length of the suspension and level of guest acceptance of future cruise credits, we may be required to provide cash refunds for a substantial portion of the balance, as guests on cancelled sailings were automatically awarded future cruise credits and have the opportunity to contact us instead to request a cash refund. As of April 24, 2020, approximately half of the guests who have had their voyages cancelled and have contacted us have requested cash refunds. There can be no assurance that the percentage of passengers that accept future cruise certificates over cash refunds will remain in this range as the number of cancelled voyages increases.

Moreover, our ability to attract and retain guests and crew depends, in part, upon the perception and reputation of our Company and our brands and the public's concerns regarding the health and safety of travel generally, as well as regarding the cruise industry and our ships. Actual or perceived risk of infection on our could have an adverse effect on the public's perception of the Company, which could harm our reputation and business.

As a result of the impacts of COVID-19, provisions in our credit card processing and other commercial agreements may adversely affect our liquidity. We have agreements with a number of credit card companies to process the sale of tickets and other services. Under these agreements, the credit card companies could, under certain circumstances and upon written notice, require us to maintain a reserve, which reserve could be funded by the credit card companies withholding or offsetting our credit card receivables, or our posting of cash or other collateral. As a result of the impacts of COVID-19, we have seen an increase in demand from consumers for refunds on their tickets, and we anticipate this will continue to be the case for the near future. Requests for refunds may reduce our liquidity and risk triggering liquidity covenants in these processing agreements and, in doing so, could force us to post cash or other collateral (including the potential to post certain of our vessels as collateral) as a reserve with the credit card processing companies in accordance with the terms of our agreements with them. Because of COVID-19, we have been in conversation with our credit card processors about posting collateral, and if we were required to post collateral or otherwise maintain a reserve, our financial position and liquidity could be materially impacted.

As a result of all of the foregoing, and as further discussed below under "As a result of the impact of the COVID-19 pandemic, our financial statements contain a statement regarding a substantial doubt about the Company's ability to continue as a going concern" and "We anticipate needing additional financing, and such financing may not be available on favorable terms, or at all, and may be dilutive to existing shareholder", we expect a net loss on both a U.S. GAAP and adjusted basis for the quarter ended March 31, 2020 and year ending December 31, 2020, and our ability to forecast our cash inflows and additional capital needs is hampered, and we will be required to raise additional capital. Our access to and cost of financing will depend on, among other things, global economic conditions, conditions in the global financing markets, the availability of sufficient amounts of financing, our prospects and our credit ratings. In March 2020, Moody's downgraded the long-term issuer and senior unsecured debt ratings of NCLC to Ba2 from Ba1, including its corporate family rating and senior secured bank facility, and to B1 from Ba2 on its senior unsecured rating. In April 2020, S&P Global downgraded the issuer credit rating of NCLC to BB- from BB+. If our credit ratings were to be further downgraded, or general market conditions were to ascribe higher risk to our rating levels, our industry, or us, our access to capital and the cost of any debt or equity financing will be further negatively impacted. There is no guarantee that debt or equity financings will be available in the future to fund our obligations, or that they will be available on terms consistent with our expectations.

The agreements governing our indebtedness contain, and any instruments governing future indebtedness of ours may contain, covenants that impose significant operating and financial restrictions on us, including restrictions or prohibitions on our ability to, among other things: incur or guarantee additional debt or issue certain preference shares; pay dividends on or make distributions in respect of our share capital or make other restricted payments, including the ability of the Company's subsidiaries to pay dividends or make distributions to the Company; repurchase or redeem capital stock or subordinated indebtedness; make certain investments or acquisitions; transfer, sell or create liens on certain assets; and consolidate or merge with, or sell or otherwise dispose of all or substantially all of our assets to other companies. As a result of these covenants, we are limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs. The terms of any instruments governing future indebtedness may also require us to provide incremental collateral, which may further restrict our business operations.

In addition, the COVID-19 outbreak has significantly increased economic and demand uncertainty. The current outbreak and continued spread of COVID-19 may cause a global recession, which would have a further adverse impact on our financial condition and operations, and this impact could exist for an extensive period of time.

The extent of the effects of the outbreak on our business and the cruise industry at large is highly uncertain and will ultimately depend on future developments, many of which are outside of our control, including, but not limited to, the duration, spread, severity and any recurrence of the outbreak, the duration and scope of related federal, state and local government orders and restrictions, the extent of the impact of COVID-19 on overall demand for cruise vacations and the length of time it takes for demand and pricing to return and normal economic and operating conditions to resume, all of which are highly uncertain and cannot be predicted. To the extent COVID-19 adversely affects our business, operations, financial condition and operating results, it may also have the effect of heightening many of the other risks described in the "Risk Factors" included in the 2019 Form 10-K, such as those relating to our need to generate sufficient cash flows to service our indebtedness, and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

As a result of the impact of the COVID-19 pandemic, our financial statements contain a statement regarding a substantial doubt about the Company's ability to continue as a going concern.

Our audited financial statements as of and for the year ended December 31, 2019 were prepared on the assumption that we would continue as a going concern. As a result of the factors described above under "COVID-19 has had, and is expected to continue to have, a significant impact on our financial condition and operations, which adversely affects our ability to obtain acceptable financing to fund resulting reductions in cash from operations. The current, and uncertain future, impact of the COVID-19 outbreak, including its effect on the ability or desire of people to travel (including on cruises), is expected to continue to impact our results, operations, outlook, plans, goals, growth, reputation, cash flows, liquidity, demand for voyages and share price." These factors have raised substantial doubt about the Company's ability to continue as a going concern.

Our continuation as a "going concern" is dependent upon, among other things, our ability to increase our liquidity, and our conclusion regarding our ability to continue as a going concern could materially limit our ability to raise additional funds through the issuance of new debt or equity securities or otherwise. If we are successful in seeking additional equity or debt financing, as discussed below under the heading "We anticipate needing additional financing, and such financing may not be available on favorable terms, or at all, and may be dilutive to existing shareholders", we believe the net proceeds received in such financing along with our ability to defer certain debt payments will be sufficient to provide the necessary liquidity meet our obligations during the next 12 months, including the maintenance of minimum levels of liquidity required by certain of our debt agreements. There can be no assurance, however, that we will be able to complete such financing, raise sufficient additional capital or that other factors will improve enough to offset operating losses. The substantial doubt about our ability to continue as a going concern may affect the price of our ordinary shares and the grade of our credit rating, may impact our relationship with third parties with whom we do business, including our customers, vendors, lenders and employees, may impact our ability to raise additional capital and may impact our ability to comply going forward with covenants in our debt agreements. In the event we are unable to secure additional financing, our ability to continue as a going concern over the next twelve months will depend upon a series of factors, including the duration of the layup of our ships, the speed with which, and the extent to which, bookings resume once ships are sailing again, the ability of travel agencies, suppliers and other vendors to resume operations.

The Company has identified approximately $515 million of capital expenditure reductions, comprised of approximately $345 million of reduction from planned 2020 non-newbuild capital expenditures and are in negotiations to further reduce our capital expenditures for newbuild related payments by approximately $170 million (which reduction does not take into account the impact on timing of payments in connection with newbuilds as a result of the potential delays in ship deliveries discussed above). If successful, the Company's next newbuild-related payments would not be until April 2021. We have also identified various projects and initiatives to reduce our ship operating costs and selling, general and administrative expenses, which we expect will result in reduced cash outflows and cost savings. We are undertaking meaningful reductions in ship operating expense including food, fuel, insurance, port charges and reduced crew manning of vessels during the suspension, resulting in lower crew payroll expense. Some other initiatives already implemented include the significant reduction or deferral of marketing expenditures in the first half of 2020, the implementation of a company-wide hiring freeze, the introduction of a temporary shortened work week and reduced work hours with commensurate 20% salary reduction for shoreside team members, a pause in our 401(k) matching contributions, corporate travel freezes for shoreside employees and a temporary furlough of approximately 20% of our shoreside employees through July 31, 2020. In addition, the majority of the vessels in the Company's fleet are currently transitioning to cold layup,[2] to further reduce operating expenses during the suspension. The steps we have taken to reduce operating costs, including furloughing a substantial number of our shoreside employees, and further steps we may take in the future to reduce costs, may negatively affect our brand reputation, guest loyalty and ability to attract and retain employees, and our reputation and market share may suffer as a result. If our furloughed employees do not return to work with us when the COVID-19 pandemic subsides, including because they find new jobs during the furlough, we may experience operational challenges that could negatively affect results and guest experience and loyalty. Further, any reputational damage from the furlough could lead employees to depart the Company and could make it harder for us to recruit new employees in the future. Even after the COVID-19 pandemic subsides, we could still experience long-term impacts on our operating costs as a result of attempts to counteract future outbreaks of COVID-19 or other viruses, for example, the industry may be subject to enhanced health and safety requirements or other measures.

We anticipate needing additional financing, and such financing may not be available on favorable terms, or at all, and may be dilutive to existing shareholders.

We anticipate needing to seek additional equity or debt financing to fund our operations. We may be unable to obtain any desired additional financing on terms favorable to us, or at all, depending on market and other conditions. The ability to raise additional financing depends on numerous factors that are outside of our control, including general economic and market conditions, the health of financial institutions, our credit ratings and investors' and lenders' assessments of our prospects and the prospects of the cruise industry in general, all of which may be impacted by the COVID-19 pandemic. In addition, due to our conclusion regarding our ability to continue as a going concern, even if we successfully raise net proceeds from one or more equity or debt issuances which are sufficient to eliminate the substantial doubt about our ability to continue as a going concern, there is an increased risk associated with investing in the Company as such going concern conclusion may impair our ability to obtain additional financing on acceptable terms. If we raise additional funds through equity or debt issuances, our shareholders could experience dilution of their ownership interest, and these securities could have rights, preferences, and privileges that are superior to that of holders of our ordinary shares. If we raise additional funds by issuing debt, we may be subject to limitations on our operations due to restrictive covenants, which may be more restrictive than the covenants in our existing debt agreements, and we may be required to further encumber our assets. If adequate funds are not available on acceptable terms, or at all, we may be unable to fund our operations, or respond to competitive pressures, any of which could negatively affect our business. There can be no assurance that our ability to otherwise access the credit or credit markets will not be adversely affected by changes in the financial markets and the global economy or by our conclusion regarding our ability to continue as a going concern or that such financing will be available to us in sufficient amounts or on acceptable terms. If we are not able to fulfill our liquidity needs through operating cash flows and/or borrowings under credit facilities or otherwise in the capital markets, our business and financial condition could be adversely affected and it may be necessary for us to reorganize our company in its entirety, including through bankruptcy proceedings, and our shareholders may lose their investment in our ordinary shares.

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[2] Warm layup involves a reduced level of crew staffing while a ship is at port awaiting the restart of operations. Cold layup involves a further reduction of the level of crew staffing from warm layup while a ship is in a prolonged layup.

An impairment of our tradenames or goodwill could adversely affect our financial condition and operating results.

We evaluate tradenames and goodwill for impairment on an annual basis, or more frequently when circumstances indicate that the carrying value of a reporting unit may not be recoverable. Several factors including a challenging operating environment, impacts affecting consumer demand or spending, the deterioration of general macroeconomic conditions, or other factors could result in a change to the future cash flows we expect to derive from our operations. Reductions of the cash flows used in the impairment analyses may result in the recording of an impairment charge to a reporting unit's tradename or goodwill. As of December 31, 2019, there was $523.0 million, $462.1 million and $403.8 million of goodwill for the Oceania Cruises, Regent Seven Seas Cruises and Norwegian Cruise Line reporting units, respectively. Based on the results of the "step 1 tests," as of December 31, 2019, we determined there was no impairment of goodwill because the fair value of the Regent Seven Seas Cruises and Norwegian Cruise Line reporting units substantially exceeded their carrying values. The fair value of the Oceania Cruises reporting unit exceeded the carrying value by 24%. As of December 31, 2019, the value of our tradenames was approximately $817 million. As of December 31, 2019, our tests supported the carrying values of these assets; however, as a result of the COVID-19 pandemic, we determined that a triggering event occurred in the first quarter of 2020, which requires us to test our tradenames and goodwill for impairment. As of the date of this filing, the impairment assessment is not yet completed; however, we have included a provisional write-off amount ranging from $1.5 billion to $1.7 billion for tradenames and goodwill based on the initial analysis. As this analysis is not completed, these amounts may change, and the completion of the assessment could indicate that our tradenames and goodwill assets are impaired, which would result in a partial or full write-off of those assets.

Any potential government disaster relief assistance, or other governmental assistance due to the impacts of COVID-19, could impose significant limitations on our corporate activities and may not be on terms favorable to us.

If any government agrees to provide disaster relief assistance, or other assistance due to the impacts of COVID-19, it may impose certain requirements on the recipients of the relief including restrictions on executive officer compensation, share buybacks, dividends, prepayment of debt and other similar restrictions until the relief is repaid or redeemed in full. We cannot assure you that any such government disaster relief assistance, or other governmental assistance due to the impacts of COVID-19, if passed, will not significantly limit our corporate activities or be on terms that are favorable to us or at all. Such restrictions and terms could adversely impact our business and operations.

Form 10-Q Filing - COVID-19 Order Relief

In accordance with the Securities and Exchange Commission Order Under Section 36 of the Securities Exchange Act of 1934 Modifying Exemptions from the Reporting and Proxy Delivery Requirements for Public Companies, SEC Release No. 34-88465, dated March 25, 2020 (the "Order"), the Company will be relying on the relief provided by the Order to delay the filing of its Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (the "First Quarter Form 10-Q") by up to 45 days. As further discussed in the sections above entitled "Update on Liquidity and Management's Plan" and "Update to Risk Factors," the Company's operations and business have experienced significant disruption as a result of the recent global outbreak of COVID-19. The Company has previously announced a voluntary suspension of all cruise voyages through June 30, 2020 for its three brands, and the CDC has issued a No Sail Order in effect until the earliest of (a) the expiration of the Secretary of Health and Human Services' declaration that COVID-19 constitutes a public health emergency, (b) the date the Director of the CDC rescinds or modifies the No Sail Order or (c) 100 days after the order appears on the Federal Register, which would be July 24, 2020. The COVID-19 outbreak has resulted in unprecedented operational challenges for the cruise industry generally as well as the Company. In addition, the Company is in the process of finalizing its goodwill and trade name impairment analysis. The Company is therefore unable to file the First Quarter Form 10-Q on its customary schedule. The Company expects to file the First Quarter Form 10-Q no later than May 15, 2020.

Cautionary Statement Concerning Forward-Looking Statements

Some of the statements, estimates or projections contained in this report are "forward-looking statements" within the meaning of the U.S. federal securities laws intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained, or incorporated by reference, in this report, including, without limitation, those regarding our business strategy, financial position, results of operations, plans, prospects, actions taken or strategies being considered with respect to our liquidity position, valuation and appraisals of our assets and objectives of management for future operations (including those regarding expected fleet additions, our voluntary suspension, our ability to weather the impacts of the COVID-19 pandemic, operational position, demand for voyages, financing opportunities and extensions, and future cost mitigation and cash conservation efforts and efforts to reduce operating expenses and capital expenditures) are forward-looking statements. Many, but not all, of these statements can be found by looking for words like “expect,” “anticipate,” “goal,” “project,” “plan,” “believe,” “seek,” “will,” “may,” “forecast,” “estimate,” “intend,” “future” and similar words. Forward-looking statements do not guarantee future performance and may involve risks, uncertainties and other factors which could cause our actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in those forward-looking statements. Examples of these risks, uncertainties and other factors include, but are not limited to the impact of:

- COVID-19 on our financial condition and operations, which adversely affects our ability to obtain acceptable financing in an amount equal to the resulting reduction in cash from operations, and the current, and uncertain future, other impacts of the COVID-19 outbreak, including its effect on the ability or desire of people to travel (including on cruises), which are expected to continue to adversely impact our results, operations, outlook, plans, goals, growth, reputation, cash flows, liquidity, demand for voyages and share price;

- our ability to develop strategies to enhance our health and safety protocols to adapt to the current pandemic environment’s unique challenges once operations resume and to otherwise safely resume our operations when conditions allow;

- coordination and cooperation with the CDC, the federal government and global public health authorities to take precautions to protect the health, safety and security of guests, crew and the communities visited and the implementation of any such precautions;

- the accuracy of any appraisals of our assets as a result of the impact of COVID-19 or otherwise;

- the ability to obtain deferrals on our debt payments;

- our success in reducing operating expenses and capital expenditures and the impact of any such reductions;

- our guests’ election to take cash refunds in lieu of future cruise credits or the continuation of any trends relating to such election;

- trends in, or changes to, future bookings and our ability to take future reservations and receive deposits related thereto;

- our ability to work with lenders and others or otherwise pursue options to defer or refinance our existing debt profile,near-term debt amortization, newbuild related payments and other obligations and to work with credit card processors to satisfy current or potential future demands for collateral on cash advanced from customers relating to future cruises;

- adverse events impacting the security of travel, such as terrorist acts, armed conflict and threats thereof, acts of piracy, and other international events;

- adverse incidents involving cruise ships;

- adverse general economic and related factors, such as fluctuating or increasing levels of unemployment, underemployment and the volatility of fuel prices, declines in the securities and real estate markets, and perceptions of these conditions that decrease the level of disposable income of consumers or consumer confidence;

- the spread of epidemics, pandemics and viral outbreaks;
- our anticipated need for additional financing, which may not be available on favorable terms, or at all, and may be dilutive to existing shareholders;
- our ability to raise sufficient capital and/or take other actions to improve our liquidity position or otherwise meet our liquidity requirements that are sufficient to eliminate the substantial doubt about our ability to continue as a going concern;
- an impairment of our trademarks, trade names or goodwill, including in connection with the preparation of our financial statements as of March 31, 2020;
- breaches in data security or other disturbances to our information technology and other networks or our actual or perceived failure to comply with requirements regarding data privacy and protection;
- changes in fuel prices and the type of fuel we are permitted to use and/or other cruise operating costs;
- mechanical malfunctions and repairs, delays in our shipbuilding program, maintenance and refurbishments and the consolidation of qualified shipyard facilities;
- the risks and increased costs associated with operating internationally;
- fluctuations in foreign currency exchange rates;
- the unavailability of ports of call;
- overcapacity in key markets or globally;
- our expansion into and investments in new markets;
- our inability to obtain adequate insurance coverage;
- our indebtedness and restrictions in the agreements governing our indebtedness that require us to maintain minimum levels of liquidity and otherwise limit our flexibility in operating our business, including the significant portion of assets that are collateral under these agreements;
- pending or threatened litigation, investigations and enforcement actions;
- volatility and disruptions in the global credit and financial markets, which may adversely affect our ability to borrow and could increase our counterparty credit risks, including those under our credit facilities, derivatives, contingent obligations, insurance contracts and new ship progress payment guarantees;
- our inability to recruit or retain qualified personnel or the loss of key personnel or employee relations issues;
- our reliance on third parties to provide hotel management services for certain ships and certain other services;
- future increases in the price of, or major changes or reduction in, commercial airline services;
- our inability to keep pace with developments in technology;
- changes involving the tax and environmental regulatory regimes in which we operate; and

- other factors set forth under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019.

Additionally, many of these risks and uncertainties are currently amplified by and will continue to be amplified by, or in the future may be amplified by, the COVID-19 outbreak. It is not possible to predict or identify all such risks. There may be additional risks that we consider immaterial or which are unknown.

The above examples are not exhaustive and new risks emerge from time to time. Such forward-looking statements are based on our current beliefs, assumptions, expectations, estimates and projections regarding our present and future business strategies and the environment in which we expect to operate in the future. These forward-looking statements speak only as of the date made. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in our expectations with regard thereto or any change of events, conditions or circumstances on which any such statement was based, except as required by law.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
23.1	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
99.1	Item 8. Financial Statements and Supplementary Data.
101	The following materials from Norwegian Cruise Line Holdings Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission on February 27, 2020, as revised by this Current Report on Form 8-K, formatted in Inline XBRL: (i) the Consolidated Statements of Operations of NCLH for the years ended December 31, 2019, 2018 and 2017; (ii) the Consolidated Statements of Comprehensive Income of NCLH for the years ended December 31, 2019, 2018 and 2017; (iii) the Consolidated Balance Sheets of NCLH as of December 31, 2019 and 2018; (iv) the Consolidated Statements of Cash Flows of NCLH for the years ended December 31, 2019, 2018 and 2017; (v) the Consolidated Statements of Changes in Shareholders' Equity of NCLH for the years ended December 31, 2019, 2018 and 2017; and (vi) the Notes to the Consolidated Financial Statements.
104	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, Norwegian Cruise Line Holdings Ltd. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 5, 2020

NORWEGIAN CRUISE LINE HOLDINGS LTD.

By: /s/ Mark A Kempa
Name: Mark A. Kempa
Title: Executive Vice President and Chief Financial Officer

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-212352, 333-196538, 333-190716, 333-186184) of Norwegian Cruise Line Holdings Ltd. of our report dated February 27, 2020, except with respect to our opinion on the consolidated financial statements insofar as it relates to the matters that raise substantial doubt about the Company's ability to continue as a going concern discussed in Note 2 under *Liquidity and Management's Plan*, and the *Events Subsequent to Original Issuance of Financial Statements* discussed in Note 18, as to which the date is May 5, 2020, relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Current Report on Form 8-K.

/s/ PricewaterhouseCoopers LLP
Miami, Florida
May 5, 2020

Exhibit 99.1

Explanatory Note

Due to the spread of COVID-19 and the effects of growing port restrictions around the world, the Company previously announced a voluntary pause of its global fleet cruise operations. These recent developments have had a significant impact on our operations and liquidity subsequent to the issuance of our Form 10-K on February 27, 2020. As a result of these effects, Note 2 and Note 18 to the financial statements as well as the report of our Independent Registered Public Accounting Firm set forth in this Exhibit 99.1 have been updated from the footnotes and the report of our Independent Registered Public Accounting Firm to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019. No other changes, modifications or updates have been made to the 2019 financial statements. The 2019 financial statements do not reflect events that may have occurred after the original filing date except as noted above. Revisions are highlighted in blue font.

NORWEGIAN CRUISE LINE HOLDINGS LTD.
EXHIBIT 99.1 TO FORM 8-K
FOR THE YEAR ENDED DECEMBER 31, 2019

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Norwegian Cruise Line Holdings Ltd.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Norwegian Cruise Line Holdings Ltd. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, of comprehensive income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedule (not presented herein) listed in the index appearing under Item 15(2) of the Company's 2019 Annual Report on Form 10-K (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has implemented a suspension of all cruise voyages for its three brands due to the continued spread of COVID-19, growing travel restrictions and limited access to ports around the world, and has debt maturities and other obligations coming due over the next year that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principle

As discussed in Note 5 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting (not presented herein) appearing under Item 9A of the Company's 2019 Annual Report on Form 10-K. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Ship Accounting - Improvement Costs

As described in Notes 2 and 7 to the consolidated financial statements, the Company capitalized approximately $458.9 million of costs associated with ship improvements during 2019. As disclosed by management, ship improvement costs which add value to the ship are capitalized and depreciated over the shorter of the improvements' estimated useful lives or the remaining useful life of the ship. The useful lives of ship improvements are estimated based on the economic lives of the new components. In addition, to determine the useful lives of the ship or ship components, management considers the impact of the historical useful lives of similar assets, manufacturer recommended lives and anticipated changes in technological conditions.

The principal considerations for our determination that performing procedures relating to ship accounting - improvement costs is a critical audit matter are there was significant judgment by management in determining whether costs associated with ship improvements add value to the Company's ships and in estimating the useful lives assigned. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to whether capitalization and useful lives assigned were appropriate.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to capitalization of ship improvements, including controls over the estimation of whether improvements add value to the ship and the useful lives assigned. These procedures also included, among others, testing the accuracy, existence/occurrence and valuation of capitalized ship improvement costs and evaluating whether costs capitalized add value to the ship. Evaluating the reasonableness of the useful lives assigned involved considering historical data and past experience with similar ship improvements. Professionals with specialized skill and knowledge were used to assist in the evaluation of the reasonableness of the assigned useful lives.

Goodwill Impairment Assessment - Oceania Cruises Reporting Unit

As described in Note 2 to the consolidated financial statements, the Company's goodwill balance for the Oceania Cruises reporting unit was $523.0 million as of December 31, 2019. Management reviews goodwill for impairment on an annual basis or earlier if there is an event or change in circumstances that would indicate that the carrying value of these assets may not be fully recoverable. For the 2019 annual goodwill impairment evaluation, management conducted a quantitative assessment comparing the fair value of the Oceania Cruises reporting unit to its carrying value, including goodwill. This assessment consists of a combined approach using discounted future cash flows and market multiples to determine the fair value of the reporting units. The market approach considers revenue and EBITDA multiples from an appropriate peer group. The discounted cash flow valuation reflects management's principal assumptions related to (i) forecasted future operating results and growth rates, (ii) forecasted capital expenditures for fleet growth and ship improvements, and (iii) a weighted average cost of capital of market participants, adjusted for an optimal capital structure. Management believes that the combined approach is the most representative method to assess fair value as it utilizes expectations of long-term growth as well as current market conditions.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Oceania Cruises reporting unit is a critical audit matter are there was significant judgment by management when developing the fair value of the reporting unit. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and in evaluating audit evidence relating to management's future cash flow projections and selected market multiples and the significant assumptions, including revenue and EBITDA multiples from an appropriate peer group, forecasted future operating results and growth rates, forecasted capital expenditures for fleet growth and ship improvements, and the weighted average cost of capital of market participants. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment for Oceania Cruises, including controls over the valuation of the Company's reporting unit. These procedures also included, among others, testing management's process for developing the fair value estimate of the Oceania Cruises reporting unit; evaluating the appropriateness of the discounted future cash flow and market multiples approaches; testing the completeness, accuracy and relevance of underlying data used in the approaches; and evaluating the reasonableness of the significant assumptions used by management, including revenue and EBITDA multiples from an appropriate peer group, forecasted future operating results and growth rates, capital expenditures for fleet growth and ship improvements, and the weighted average cost of capital of market participants. Evaluating management's assumptions related to revenue and EBITDA multiples from an appropriate peer group, forecasted future operating results and growth rates, capital expenditures for fleet growth and ship improvements, and the weighted average cost of capital of market participants involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discounted future cash flow and market multiples approaches and certain significant assumptions, including the weighted average cost of capital of market participants.

/s/ PricewaterhouseCoopers LLP

Miami, Florida
February 27, 2020, except with respect to our opinion on the consolidated financial statements insofar as it relates to the matters that raise substantial doubt about the Company's ability to continue as a going concern discussed in Note 2 under *Liquidity and Management's Plan*, and the *Events Subsequent to Original Issuance of Financial Statements* discussed in Note 18, as to which the date is May 5, 2020

We have served as the Company's auditor since at least 1988. We have not been able to determine the specific year we began serving as auditor of the Company.

Norwegian Cruise Line Holdings Ltd.
Consolidated Statements of Operations
(in thousands, except share and per share data)

	Year Ended December 31,		
	2019	**2018**	**2017**
Revenue			
Passenger ticket	$ 4,517,393	$ 4,259,815	$ 3,750,030
Onboard and other	1,944,983	1,795,311	1,646,145
Total revenue	6,462,376	6,055,126	5,396,175
Cruise operating expense			
Commissions, transportation and other	1,120,886	998,948	894,406
Onboard and other	394,673	348,656	319,293
Payroll and related	924,157	881,606	803,632
Fuel	409,602	392,685	361,032
Food	222,602	216,031	198,357
Other	591,341	539,150	486,924
Total cruise operating expense	3,663,261	3,377,076	3,063,644
Other operating expense			
Marketing, general and administrative	974,850	897,929	773,755
Depreciation and amortization	646,188	561,060	509,957
Total other operating expense	1,621,038	1,458,989	1,283,712
Operating income	1,178,077	1,219,061	1,048,819
Non-operating income (expense)			
Interest expense, net	(272,867)	(270,404)	(267,804)
Other income (expense), net	6,155	20,653	(10,401)
Total non-operating income (expense)	(266,712)	(249,751)	(278,205)
Net income before income taxes	911,365	969,310	770,614
Income tax benefit (expense)	18,863	(14,467)	(10,742)
Net income	$ 930,228	$ 954,843	$ 759,872
Weighted-average shares outstanding			
Basic	214,929,977	223,001,739	228,040,825
Diluted	216,475,076	224,419,205	229,418,326
Earnings per share			
Basic	$ 4.33	$ 4.28	$ 3.33
Diluted	$ 4.30	$ 4.25	$ 3.31

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

Norwegian Cruise Line Holdings Ltd.
Consolidated Statements of Comprehensive Income
(in thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
Net income	$ 930,228	$ 954,843	$ 759,872
Other comprehensive income (loss):			
Shipboard Retirement Plan	(1,930)	2,697	(40)
Cash flow hedges:			
Net unrealized gain (loss)	(123,015)	(161,214)	304,684
Amount realized and reclassified into earnings	(8,898)	(30,096)	36,795
Total other comprehensive income (loss)	(133,843)	(188,613)	341,439
Total comprehensive income	$ 796,385	$ 766,230	$ 1,101,311

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

Norwegian Cruise Line Holdings Ltd.
Consolidated Balance Sheets
(in thousands, except share data)

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 252,876	$ 163,851
Accounts receivable, net	75,109	55,249
Inventories	95,427	90,202
Prepaid expenses and other assets	306,733	241,011
Total current assets	730,145	550,313
Property and equipment, net	13,135,337	12,119,253
Goodwill	1,388,931	1,388,931
Tradenames	817,525	817,525
Other long-term assets	612,661	329,948
Total assets	$ 16,684,599	$ 15,205,970
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term debt	$ 746,358	$ 681,218
Accounts payable	100,777	159,564
Accrued expenses and other liabilities	782,275	716,499
Advance ticket sales	1,954,980	1,593,219
Total current liabilities	3,584,390	3,150,500
Long-term debt	6,055,335	5,810,873
Other long-term liabilities	529,295	281,596
Total liabilities	10,169,020	9,242,969
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Ordinary shares, $0.001 par value; 490,000,000 shares authorized; 237,533,270 shares issued and 213,082,411 shares outstanding at December 31, 2019 and 235,484,613 shares issued and 217,650,644 shares outstanding at December 31, 2018	237	235
Additional paid-in capital	4,235,690	4,129,639
Accumulated other comprehensive income (loss)	(295,490)	(161,647)
Retained earnings	3,829,068	2,898,840
Treasury shares (24,450,859 and 17,833,969 ordinary shares at December 31, 2019 and December 31, 2018, respectively, at cost)	(1,253,926)	(904,066)
Total shareholders' equity	6,515,579	5,963,001
Total liabilities and shareholders' equity	$ 16,684,599	$ 15,205,970

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

Norwegian Cruise Line Holdings Ltd.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
Cash flows from operating activities			
Net income	$ 930,228	$ 954,843	$ 759,872
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	647,102	566,972	521,484
Deferred income taxes, net	(26,134)	1,508	9,153
Loss on extinguishment of debt	13,397	6,346	22,211
Provision for bad debts and inventory obsolescence	3,884	5,570	2,431
Gain on involuntary conversion of assets	(4,152)	—	—
Share-based compensation expense	95,055	115,983	87,039
Net foreign currency adjustments	(1,934)	(5,537)	—
Changes in operating assets and liabilities:			
Accounts receivable, net	(14,104)	(15,886)	15,050
Inventories	(6,155)	(9,052)	(17,129)
Prepaid expenses and other assets	(74,295)	(29,519)	(22,714)
Accounts payable	(58,635)	106,387	14,047
Accrued expenses and other liabilities	(29,028)	114,953	55,791
Advance ticket sales	347,376	262,603	154,012
Net cash provided by operating activities	1,822,605	2,075,171	1,601,247
Cash flows from investing activities			
Additions to property and equipment, net	(1,637,170)	(1,566,796)	(1,372,214)
Cash received on settlement of derivatives	289	64,796	2,346
Cash paid on settlement of derivatives	(47,085)	(1,719)	(35,694)
Other	3,774	1,011	664
Net cash used in investing activities	(1,680,192)	(1,502,708)	(1,404,898)
Cash flows from financing activities			
Repayments of long-term debt	(3,806,732)	(1,716,244)	(1,916,885)
Proceeds from long-term debt	4,122,297	1,904,865	1,816,390
Proceeds from employee related plans	31,937	28,819	30,032
Net share settlement of restricted share units	(20,939)	(13,855)	(6,342)
Purchases of treasury shares	(349,860)	(664,811)	—
Early redemption premium	(6,829)	(5,154)	(15,506)
Deferred financing fees	(23,262)	(118,422)	(56,195)
Net cash used in financing activities	(53,388)	(584,802)	(148,506)
Net increase (decrease) in cash and cash equivalents	89,025	(12,339)	47,843
Cash and cash equivalents at beginning of period	163,851	176,190	128,347
Cash and cash equivalents at end of period	$ 252,876	$ 163,851	$ 176,190

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

Norwegian Cruise Line Holdings Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(in thousands)

	Ordinary Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance, December 31, 2016	$ 232	$ 3,890,119	$ (314,473)	$ 1,201,103	$ (239,255)	$ 4,537,726
Share-based compensation	—	87,039	—	—	—	87,039
Issuance of shares under employee related plans	1	30,031	—	—	—	30,032
Net share settlement of restricted share units	—	(6,342)	—	—	—	(6,342)
Cumulative change in accounting policy	—	(2,153)	—	2,153	—	—
Other comprehensive income, net	—	—	341,439	—	—	341,439
Net income	—	—	—	759,872	—	759,872
Balance, December 31, 2017	233	3,998,694	26,966	1,963,128	(239,255)	5,749,766
Share-based compensation	—	115,983		—	—	115,983
Issuance of shares under employee related plans	2	28,817	—	—	—	28,819
Treasury shares	—	—	—	—	(664,811)	(664,811)
Net share settlement of restricted share units	—	(13,855)	—	—	—	(13,855)
Cumulative change in accounting policy	—	—	(12)	(19,131)	—	(19,143)
Other comprehensive income, net	—	—	(188,601)	—	—	(188,601)
Net income	—	—	—	954,843	—	954,843
Balance, December 31, 2018	235	4,129,639	(161,647)	2,898,840	(904,066)	5,963,001
Share-based compensation	—	95,055	—	—	—	95,055
Issuance of shares under employee related plans	2	31,935	—	—	—	31,937
Treasury shares	—	—	—	—	(349,860)	(349,860)
Net share settlement of restricted share units	—	(20,939)	—	—	—	(20,939)
Other comprehensive loss, net	—	—	(133,843)	—	—	(133,843)
Net income	—	—	—	930,228	—	930,228
Balance, December 31, 2019	$ 237	$ 4,235,690	$ (295,490)	$ 3,829,068	$ (1,253,926)	$ 6,515,579

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

1. Description of Business and Organization

We are a leading global cruise company which operates the Norwegian Cruise Line, Oceania Cruises and Regent Seven Seas Cruises brands. As of December 31, 2019, we had 27 ships with approximately 58,400 Berths and had orders for 10 additional ships to be delivered through 2027, subject to certain conditions.

Seven Seas Splendor was delivered in January 2020. We refer you to Note 18 – "Subsequent Events" for additional information.We have one additional Explorer Class Ship on order for delivery in the fall of 2023.We have two Allura Class Ships on order for delivery in the winter of 2022 and spring of 2025. Project Leonardo will introduce an additional six ships with expected delivery dates through 2027. The addition of these 10 ships to our fleet will increase our total Berths to approximately82,000.

Norwegian commenced operations from Miami in 1966. In February 2011, NCLH, a Bermuda limited company, was formed with the issuance to the Sponsors of, in aggregate, 10,000 ordinary shares, with a par value of $0.001 per share. In January 2013, NCLH completed its IPO and the ordinary shares of NCLC, all of which were owned by the Sponsors, were exchanged for the ordinary shares of NCLH, and NCLH became the owner of 100% of the ordinary shares and parent company of NCLC (the "Corporate Reorganization"). At the same time, NCLH contributed $460.0 million to NCLC and the historical financial statements of NCLC became those of NCLH. The Corporate Reorganization was affected solely for the purpose of reorganizing our corporate structure. As a result of the Secondary Equity Offerings, as of December 2018, the Sponsors no longer owned the ordinary shares they held in NCLH.

In November 2014, we completed the Acquisition of Prestige. We believe that the combination of Norwegian and Prestige creates a cruise operating company with a rich product portfolio and strong market presence.

2. Summary of Significant Accounting Policies

Liquidity and Management's Plan

Due to the continued spread of COVID-19 and the effects of growing travel restrictions and limited access to ports around the world, in March 2020, the Company implemented a voluntary suspension of all cruise voyages for its three brands, which has subsequently been extended through June 30, 2020. On March 14, 2020, concurrent with our and the broader cruise industry's suspension, the U.S. Centers for Disease Control and Prevention ("CDC") issued a No Sail Order through April 13, 2020. On April 9, 2020, the CDC modified its existing No Sail Order to extend it until the earliest of (a) the expiration of the Secretary of Health and Human Services' declaration that COVID-19 constitutes a public health emergency, (b) the date the Director of the CDC rescinds or modifies the No Sail Order or (c) 100 days after the order appears on the Federal Register, which would be July 24, 2020. In addition, the duration of any voluntary suspensions we have implemented and resumption of operations outside of the United States will be dependent, in part, on various travel restrictions and travel bans issued by various countries around the world, as well as the availability of ports around the world. Significant events affecting travel, including COVID-19, typically have an impact on the demand for cruise vacations, with the full extent of the impact generally determined by the length of time the event influences travel decisions. We believe the ongoing effects of COVID-19 on our operations and global bookings have had, and will continue to have, a significant impact on our financial results and liquidity, and such negative impact may continue well beyond the containment of such an outbreak. This is the first time that the Company has completely suspended cruise voyages, and as a result we are not able to predict the full impact of such a suspension on our Company. In addition, the severity and duration of the global pandemic is uncertain. Consequently, we cannot estimate the impact on our business, financial condition or near- or longer-term financial or operational results with reasonable certainty.

At December 31, 2019, the Company had a total of approximately$6 billion of total long-term debt obligations, as more fully described under Note 8. On or around March 12, 2020, NCL Corporation Ltd. (“NCLC”) borrowed the full amount of $1.55 billion under its $875 million revolving credit facility, dated as of January 2, 2019 and maturing on January 2, 2024, with JPMorgan Chase Bank, N.A. (“JPM”), as administrative agent and as collateral agent, and certain other lenders party thereto, and its $675 million revolving credit facility, dated as of March 5, 2020 and maturing on March 4, 2021, with JPM, as administrative agent and as collateral agent, and certain other lenders party thereto. The Company also has agreements with its credit card processors that govern approximately$1.6 billion at December 31, 2019 in advance ticket sales that have been received by the Company relating to future voyages. These agreements allow the credit card processors to require under certain circumstances, including the existence of a material adverse change, excessive chargebacks and other triggering events, that the Company maintain a reserve which could be satisfied by posting collateral. The Company is in discussions regarding the nature of collateral, if any, relating to these agreements.

In accordance with Accounting Standards Update No. 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (Subtopic 205-40), the Company has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. The factors described above, in particular the suspension of cruise voyages, as well as debt maturities and other obligations over the next year, and the fact that management’s plan to obtain additional financing has not yet been completed, have raised substantial doubt about the Company’s ability to continue as a going concern.

As detailed below, the Company has taken, and anticipates taking, additional actions to increase liquidity, extend debt maturities, delay obligations and reduce operating costs. In addition, the Company has been evaluating a number of financing transactions that, if successful, would provide net proceeds which are anticipated to be sufficient to provide the liquidity necessary to satisfy our obligations over the next twelve months, including the maintenance of minimum levels of liquidity required by certain of our debt agreements. There can be no assurance, however, that the Company will be able to complete such transactions and raise sufficient additional capital or take other actions that will provide it with sufficient liquidity to satisfy our obligations over the next twelve months or maintain minimum levels of liquidity as required by certain of our debt agreements.

At December 31, 2019 and March 31, 2020, we were in compliance with all of our debt covenants. If we do not continue to remain in compliance with these covenants, we would have to seek additional amendments to these covenants. However, no assurances can be made that such amendments would be approved by our lenders. Generally, if an event of default under any debt agreement occurs, then pursuant to cross default and/or cross acceleration clauses, substantially all of our outstanding debt and derivative contract payables could become due, and all debt and derivative contracts could be terminated, which could have a material adverse impact to our operations and liquidity.

We have taken additional steps to improve our liquidity throughsecuring deferrals of existing debt amortization, including through available export credit agencies and related governments, as discussed more fully under Note 18. The Company has also undertaken several proactive measures to mitigate the financial and operational impacts of COVID-19, through the reduction of capital expenditures and operating expenses.

The Company is currently evaluating several different strategies to enhance its liquidity position as a result of the significant financial and operational impacts due to the outbreak of COVID-19. These strategies may include, but are not limited to, pursuing additional financing from both the public and private markets through the issuance of equity and/or debt securities, which may include secured debt. The Company's ability to raise additional capital in the equity and debt markets is dependent on a number of factors, including, but not limited to, the market demand for the Company's ordinary shares, which itself is subject to a number of development and business risks and uncertainties, as well as the uncertainty that the Company would be able to raise such additional capital at a price or on terms that are favorable to the Company. If the Company issues equity or debt securities to raise additional funding, its existing shareholders may experience dilution, it may incur significant financing costs, and the new equity or convertible debt securities may have rights, preferences and privileges senior to those of its existing shareholders. If the Company issues debt securities to raise additional funding, it would incur additional debt service obligations, it could become subject to additional restrictions limiting its ability to operate its business, and it may be required to further encumber its assets. If we are successful in completing a financing transaction(s) and finalizing the deferrals of existing debt amortization as further discussed under Note 18, we believe the net proceeds of any such transactions, together with revenues from operation of the business following resumption of our cruise voyages, will be sufficient to provide the liquidity necessary to satisfy our obligations over the next twelve months, including the maintenance of minimum levels of liquidity required by certain of our debt agreements. There can be no assurance, however, that we will be able to complete any such financing transaction, raise sufficient additional capital, finalize additional amortization deferrals or that revenues will increase rapidly enough to offset operating losses that will provide with sufficient liquidity to satisfy our obligations over the next twelve months or maintain minimum levels of liquidity as required by certain of our debt agreements.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Accordingly, the consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

Basis of Presentation

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and contain all normal recurring adjustments necessary for a fair presentation of the results for the periods presented. Estimates are required for the preparation of consolidated financial statements in accordance with generally accepted accounting principles and actual results could differ from these estimates. All significant intercompany accounts and transactions are eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost and include cash and investments with original maturities of three months or less at acquisition and also include amounts due from credit card processors.

Accounts Receivable, Net

Accounts receivable are shown net of an allowance for doubtful accounts of $10.6 million and $9.6 million as of December 31, 2019 and 2018, respectively.

Inventories

Inventories mainly consist of provisions, supplies and fuel and are carried at the lower of cost or net realizable value using the first-in, first-out method of accounting.

Advertising Costs

Advertising costs are expensed as incurred except for those that result in tangible assets, including brochures, which are treated as prepaid expenses and charged to expense as consumed. Advertising costs of $5.9 million and $0.8 million as of December 31, 2019 and 2018, respectively, are included in prepaid expenses and other assets. Expenses related to advertising costs totaled $400.6 million, $327.3 million and $289.1 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the basic weighted-average number of shares outstanding during each period. Diluted earnings per share is computed by dividing net income by diluted weighted-average shares outstanding.

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

	Year Ended December 31,		
	2019	2018	2017
Net income	$ 930,228	$ 954,843	$ 759,872
Basic weighted-average shares outstanding	214,929,977	223,001,739	228,040,825
Dilutive effect of share awards	1,545,099	1,417,466	1,377,501
Diluted weighted-average shares outstanding	216,475,076	224,419,205	229,418,326
Basic earnings per share	$ 4.33	$ 4.28	$ 3.33
Diluted earnings per share	$ 4.30	$ 4.25	$ 3.31

For the years ended December 31, 2019, 2018 and 2017, a total of4.0 million, 4.7 million and 5.6 million shares, respectively, have been excluded from diluted weighted-average shares outstanding because the effect of including them would have been anti-dilutive.

Property and Equipment, Net

Property and equipment are recorded at cost. Ship improvement costs that we believe add value to our ships are capitalized to the ship and depreciated over the shorter of the improvements' estimated useful lives or the remaining useful life of the ship while costs of repairs and maintenance, including Dry-dock costs, are charged to expense as incurred. During ship construction, certain interest is capitalized as a cost of the ship. Gains or losses on the sale of property and equipment are recorded as a component of operating income (expense) in our consolidated statements of operations. The useful lives of ship improvements are estimated based on the economic lives of the new components. In addition, to determine the useful lives of the ship or ship components, we consider the impact of the historical useful lives of similar assets, manufacturer recommended lives and anticipated changes in technological conditions.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, after a15% reduction for the estimated residual values of ships as follows:

	Useful Life
Ships	30 years
Computer hardware and software	3-10 years
Other property and equipment	3-40 years
Leasehold improvements	Shorter of lease term or asset life
Ship improvements	Shorter of asset life or life of the ship

Long-lived assets are reviewed for impairment, based on estimated future undiscounted cash flows, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets are grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. We consider historical performance and future estimated results in our evaluation of potential impairment and then compare the carrying amount of the asset to the estimated future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, we measure the amount of the impairment by comparing the carrying amount of the asset to its fair value. We estimate fair value based on the best information available utilizing estimates, judgments and projections as necessary. Our estimate of fair value is generally measured by discounting expected future cash flows at discount rates commensurate with the associated risk.

Goodwill and Tradenames

Goodwill represents the excess of cost over the fair value of net assets acquired. Goodwill and other indefinite-lived assets, principally tradenames, are reviewed for impairment on an annual basis or earlier if there is an event or change in circumstances that would indicate that the carrying value of these assets may not be fully recoverable. We use the Step 0 Test which allows us to first assess qualitative factors to determine whether it is more likely than not (i.e., more than 50%) that the fair value of a reporting unit is less than its carrying value. For tradenames we also provide a qualitative assessment to determine if there is any indication of impairment.

In order to make this evaluation, we consider the following circumstances as well as others:

- Changes in general macroeconomic conditions such as a deterioration in general economic conditions; limitations on accessing capital; fluctuations in foreign exchange rates; or other developments in equity and credit markets;

- Changes in industry and market conditions such as a deterioration in the environment in which an entity operates; an increased competitive environment; a decline in market-dependent multiples or metrics (in both absolute terms and relative to peers); a change in the market for an entity’s products or services; or a regulatory or political development;

- Changes in cost factors that have a negative effect on earnings and cash flows;

- Decline in overall financial performance (for both actual and expected performance);

- Entity and reporting unit specific events such as changes in management, key personnel, strategy, or customers; litigation; or a change in the composition or carrying amount of net assets; and

- Decline in share price (in both absolute terms and relative to peers).

We also may conduct a quantitative assessment comparing the fair value of each reporting unit to its carrying value, including goodwill. This is called the Step I Test which consists of a combined approach using discounted future cash flows and market multiples to determine the fair value of the reporting units. The market approach considers revenue and EBITDA multiples from an appropriate peer group. Our discounted cash flow valuation reflects our principal assumptions of 1) forecasted future operating results and growth rates, 2) forecasted capital expenditures for fleet growth and ship improvements and 3) a weighted average cost of capital of market participants, adjusted for an optimal capital structure.

We believe that the combined approach is the most representative method to assess fair value as it utilizes expectations of long-term growth as well as current market conditions. For the tradenames, we may also use a quantitative assessment, which utilizes the relief from royalty method and includes the same forecasts and discount rates from the discounted cash flow valuation in the goodwill assessment along with a tradename royalty rate assumption.

We have concluded that our business hasthree reporting units. Each brand, Oceania Cruises, Regent Seven Seas and Norwegian, constitutes a business for which discrete financial information is available and management regularly reviews the operating results and, therefore, each brand is considered an operating segment.

As of December 31, 2019, there was $523.0 million, $462.1 million and $403.8 million of goodwill for the Oceania Cruises, Regent Seven Seas and Norwegian reporting units, respectively. For our 2019 annual goodwill and tradename impairment evaluation, we elected to perform quantitative tests for the Oceania Cruises, Regent Seven Seas and Norwegian reporting units. Based on the results of the tests, we determined there was no impairment of goodwill or tradenames because the fair values exceeded the carrying values.

Revenue and Expense Recognition

Deposits on advance ticket sales are deferred when received and are subsequently recognized as revenue ratably during the voyage sailing days as services are rendered over time on the ship. Cancellation fees are recognized in passenger ticket revenue in the month of the cancellation. Goods and services associated with onboard revenue are generally provided at a point in time and revenue is recognized when the performance obligation is satisfied. A receivable is recognized for onboard goods and services rendered when the voyage is not completed before the end of the period. All associated direct costs of a voyage are recognized as incurred in cruise operating expenses.

Disaggregation of Revenue

Revenue and cash flows are affected by economic factors in various geographical regions.

Revenues by destination consisted of the following (in thousands):

	Year Ended December 31,		
	2019	**2018**	**2017**
North America	$ 3,807,576	$ 3,543,282	$ 3,285,903
Europe	1,666,751	1,462,698	1,347,381
Asia-Pacific	500,842	721,404	394,631
Other	487,207	327,742	368,260
Total revenue	$ 6,462,376	$ 6,055,126	$ 5,396,175

Segment Reporting

We have concluded that our business has a single reportable segment. Each brand, Norwegian, Oceania Cruises and Regent, constitutes a business for which discrete financial information is available and management regularly reviews the brand level operating results and, therefore, each brand is considered an operating segment. Our operating segments have similar economic and qualitative characteristics, including similar long-term margins and similar products and services; therefore, we aggregate all of the operating segments into one reportable segment.

Although we sell cruises on an international basis, our passenger ticket revenue is primarily attributed to U.S.-sourced guests who make reservations in the U.S. Revenue attributable to U.S.-sourced guests was 81%, 77% and 77% for the years ended December 31, 2019, 2018 and 2017, respectively. No other individual country's revenues exceeded 10% in any of our last three years.

Substantially all of our long-lived assets are located outside of the U.S. and consist primarily of our ships. We had19 ships with Bahamas registry with a carrying value of $10.2 billion as of December 31, 2019 and 18 ships with Bahamas registry with a carrying value of $9.1 billion as of December 31, 2018. We had seven ships with Marshall Island registry with a carrying value of $1.9 billion as of December 31, 2019 and 2018. We also had one ship with U.S. registry with a carrying value of $0.3 billion as of December 31, 2019 and 2018.

Debt Issuance Costs

Debt issuance costs related to a recognized debt liability are presented in the consolidated balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. For line of credit arrangements and for those debt facilities not fully drawn we defer and present debt issuance costs as an asset. These deferred issuance costs are amortized over the life of the loan. The amortization of deferred financing fees is included in depreciation and amortization expense in the consolidated statements of cash flows; however, for purposes of the consolidated statements of operations it is included in interest expense, net.

Foreign Currency

The majority of our transactions are settled in U.S. dollars. Gains or losses resulting from transactions denominated in other currencies are recognized in other income (expense), net at each balance sheet date. We recognized a loss of $7.0 million, a gain of $19.8 million and a loss of $14.2 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Derivative Instruments and Hedging Activity

We enter into derivative contracts to reduce our exposure to fluctuations in foreign currency exchange rates, interest rates and fuel prices. The criteria used to determine whether a transaction qualifies for hedge accounting treatment includes the correlation between fluctuations in the fair value of the hedged item and the fair value of the related derivative instrument and its effectiveness as a hedge. As the derivative is marked to fair value, we elected an accounting policy to net the fair value of our derivatives when a master netting arrangement exists with our counterparties.

A derivative instrument that hedges a forecasted transaction or the variability of cash flows related to a recognized asset or liability may be designated as a cash flow hedge. Changes in fair value of derivative instruments that are designated as cash flow hedges are recorded as a component of accumulated other comprehensive income (loss) until the underlying hedged transactions are recognized in earnings. To the extent that an instrument is not effective as a hedge, gains and losses are recognized in other income (expense), net in our consolidated statements of operations. Realized gains and losses related to our effective fuel hedges are recognized in fuel expense. For presentation in our consolidated statements of cash flows, we have elected to classify the cash flows from our cash flow hedges in the same category as the cash flows from the items being hedged.

Concentrations of Credit Risk

We monitor concentrations of credit risk associated with financial and other institutions with which we conduct significant business. Credit risk, including but not limited to counterparty non-performance under derivative instruments, our Revolving Loan Facility and new ship progress payment guarantees, is not considered significant, as we primarily conduct business with large, well-established financial institutions and insurance companies that we have well-established relationships with and that have credit risks acceptable to us or the credit risk is spread out among a large number of creditors. We do not anticipate non-performance by any of our significant counterparties.

Insurance

We use a combination of insurance and self-insurance for a number of risks including claims related to crew and guests, hull and machinery, war risk, workers' compensation, property damage, employee healthcare and general liability. Liabilities associated with certain of these risks, including crew and passenger claims, are estimated actuarially based upon known facts, historical trends and a reasonable estimate of future expenses. While we believe these accruals are adequate, the ultimate losses incurred may differ from those recorded.

Income Taxes

Deferred tax assets and liabilities are calculated in accordance with the liability method. Deferred taxes are recorded using the currently enacted tax rates that apply in the periods that the differences are expected to reverse. Deferred taxes are not discounted.

We provide a valuation allowance on deferred tax assets when it is more likely than not that such assets will not be realized. With respect to acquired deferred tax assets, changes within the measurement period that result from new information about facts and circumstances that existed at the acquisition date shall be recognized through a corresponding adjustment to goodwill. Subsequent to the measurement period, all other changes shall be reported as a reduction or increase to income tax expense in our consolidated statements of operations.

Share-Based Compensation

We recognize expense for our share-based compensation awards using a fair-value-based method. Share-based compensation expense is recognized over the requisite service period for awards that are based on a service period and not contingent upon any future performance. We refer you to Note 11— "Employee Benefits and Share-Based Compensation."

Recently Issued Accounting Guidance

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04, *Intangibles—Goodwill and Other (Topic 350) — Simplifying the Test for Goodwill Impairment,* which simplifies the test for goodwill impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The guidance is effective for annual or any interim goodwill impairment tests in years beginning after December 15, 2019, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has not early adopted this guidance. The Company will evaluate, upon adoption of this guidance, the impact of this guidance on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which will require an entity to present the net amount expected to be collected for certain financial assets, including trade receivables. Under this update, on initial recognition and at each reporting period, an entity will be required to recognize an allowance that reflects the entity's current estimate of credit losses expected to be incurred over the life of the financial instrument. The update will be applied prospectively with a cumulative-effect adjustment to retained earnings. This update will be effective for the Company for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The adoption of this standard will not have a material impact on the Company's consolidated financial statements.

3. Revenue and Expense from Contracts with Customers

Nature of Goods and Services

We offer our guests a multitude of cruise fare options when booking a cruise. Our cruise ticket prices generally include cruise fare and a wide variety of onboard activities and amenities, meals, entertainment and port fees and taxes. In some instances, cruise ticket prices include round-trip airfare to and from the port of embarkation, complimentary beverages, unlimited shore excursions, free internet, pre-cruise hotel packages, and on some of the exotic itineraries, pre- or post-land packages. Prices vary depending on the particular cruise itinerary, stateroom category selected and the time of year that the voyage takes place. Passenger ticket revenue also includes full ship charters as well as port fees and taxes.

During the voyage, we generate onboard and other revenue for additional products and services which are not included in the cruise fare, including casino operations, certain food and beverage, gift shop purchases, spa services, photo services, Wi-Fi services and other similar items. Food and beverage, casino operations, photo services and shore excursions are generally managed directly by us while retail shops, spa services, art auctions and internet services may be managed through contracts with third-party concessionaires. These contracts generally entitle us to a percentage of the gross sales derived from these concessions, which is recognized on a net basis. While some onboard goods and services may be prepaid prior to the voyage, we utilize point-of-sale systems for discrete purchases made onboard. Certain of our product offerings are bundled and we allocate the value of the bundled goods and services between passenger ticket revenue and onboard and other revenue based upon the relative standalone selling prices of those goods and services.

Timing of Satisfaction of Performance Obligations and Significant Payment Terms

The payment terms and cancellation policies vary by brand, stateroom category, length of voyage, and country of purchase. A deposit for a future booking is required at or soon after the time of booking. Final payment is generally due between 120 days and 180 days before the voyage. Deposits on advance ticket sales are deferred when received and include amounts that are refundable. Deferred amounts are subsequently recognized as revenue ratably during the voyage sailing days as services are rendered over time on the ship. Deposits are generally cancellable and refundable prior to sailing, but may be subject to penalties, depending on the timing of cancellation. The inception of substantive cancellation penalties generally coincides with the dates that final payment is due, and penalties generally increase as the voyage sail date approaches. Cancellation fees are recognized in passenger ticket revenue in the month of the cancellation.

Goods and services associated with onboard revenue are generally provided at a point in time and revenue is recognized when the performance obligation is satisfied. Onboard goods and services rendered may be paid at disembarkation. A receivable is recognized for onboard goods and services rendered when the voyage is not completed before the end of the period.

Cruises that are reserved under full ship charter agreements are subject to the payment terms of the specific agreement and may be either cancelable or non-cancelable. Deposits received on charter voyages are deferred when received and included in advance ticket sales. Deferred amounts are subsequently recognized as revenue ratably over the voyage sailing dates.

Contract Balances

Receivables from customers are included within accounts receivables, net. As of December 31, 2019 and December 31, 2018, our receivables from customers were $15.3 million and $17.3 million, respectively.

Contract liabilities represent the Company’s obligation to transfer goods and services to a customer. A customer deposit held for a future cruise is generally considered a contract liability only when final payment is both due and paid by the customer and is usually recognized in earnings within 180 days of becoming a contract. Other deposits held and included within advance ticket sales or other long-term liabilities are not considered contract liabilities as they are largely cancelable and refundable. Our contract liabilities are included within advance ticket sales. As of December 31, 2019 and December 31, 2018, our contract liabilities were $1.4 billion and $1.2 billion, respectively. Of the amounts included within contract liabilities, approximately 55% were refundable in accordance with our cancellation policies. Approximately $1.2 billion of the December 31, 2018 contract liability balance has been recognized in revenue for the year ended December 31, 2019.

Our revenue is seasonal and based on the demand for cruises. Historically, the seasonality of the North American cruise industry generally results in the greatest demand for cruises during the Northern Hemisphere's summer months. This predictable seasonality in demand has resulted in fluctuations by quarter in our revenue and results of operations. The seasonality of our results is increased due to ships being taken out of service for regularly scheduled Dry-docks, which we typically schedule during non-peak demand periods. This seasonality will result in higher contract liability balances as a result of an increased number of reservations preceding these peak demand periods. The addition of new ships also increases the contract liability balances prior to a new ship's delivery, as staterooms are made available for reservation prior to the inaugural cruise. Norwegian Encore, with approximately 4,000 Berths, was delivered on October 30, 2019 and added 7% capacity to our fleet.

Practical Expedients and Exemptions

We do not disclose information about remaining performance obligations that have original expected durations of one year or less. We recognize revenue in an amount that corresponds directly with the value to the customer of our performance completed to date. Variable consideration, which will be determined based on a future rate and passenger count, is excluded from the disclosure and these amounts are not material. These variable non-disclosed contractual amounts relate to our non-cancelable charter agreements and a leasing arrangement with a certain port, both of which are long-term in nature. Amounts that are fixed in nature due to the application of minimum guarantees are also not material and are not disclosed.

Contract Costs

Management expects that incremental commissions and credit card fees paid as a result of obtaining ticket contracts are recoverable; therefore, we recognize these amounts as assets when they are paid prior to the voyage. Costs of air tickets, port taxes and other fees that fulfill future performance obligations are also considered recoverable and are recorded as assets. Costs incurred to obtain customers were $143.5 million and $116.3 million as of December 31, 2019 and 2018, respectively. Costs to fulfill contracts with customers were $49.7 million and $32.5 million as of December 31, 2019 and 2018, respectively. Both costs to obtain and fulfill contracts with customers are recognized within prepaid expenses and other assets. Incremental commissions, credit card fees, air ticket costs, and port taxes and fees are recognized ratably over the voyage sailing dates, concurrent with associated revenue, and are primarily in commissions, transportation and other expense.

4. Goodwill and Intangible Assets

Goodwill and tradenames are not subject to amortization. As of December 31, 2019 and 2018, the carrying values were $1.4 billion for goodwill and $0.8 billion for tradenames.

The gross carrying amounts of intangible assets included within other long-term assets, the related accumulated amortization, the net carrying amounts and the weighted-average amortization periods of the Company's intangible assets are listed in the following tables (in thousands, except amortization period):

	December 31, 2019			
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**	**Weighted-Average Amortization Period (Years)**
Customer relationships	$ 120,000	$ (110,169)	$ 9,831	6.0
License	750	(331)	419	10.0
Total intangible assets subject to amortization	$ 120,750	$ (110,500)	$ 10,250	

	December 31, 2018			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Amortization Period (Years)
Customer relationships	$ 120,000	$ (91,756)	$ 28,244	6.0
Licenses	3,368	(2,874)	494	5.6
Total intangible assets subject to amortization	$ 123,368	$ (94,630)	$ 28,738	

The aggregate amortization expense is as follows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Amortization expense	$ 18,488	$ 26,163	$ 31,232

The following table sets forth the Company's estimated aggregate amortization expense for each of the five years below (in thousands):

Year ended December 31,	Amortization Expense
2020	$ 9,906
2021	75
2022	75
2023	75
2024	75

5. Leases

On January 1, 2019, we adopted ASU No. 2016-02, Leases ("Topic 842"). Topic 842 supersedes the lease accounting requirements in Accounting Standards Codification ("ASC") 840—Leases. In August 2018, the FASB issued ASU 2018-11, Targeted Improvements to Topic 842, which included an option to apply the new leases standard at the adoption date using a modified retrospective approach, which the Company elected.

Nature of Leases

We have finance leases for certain ship equipment and a corporate office. We have operating leases for port facilities, corporate offices, warehouses, and certain equipment. Many of our leases include both lease and non-lease components. We have adopted the practical expedient which allows us to combine lease and non-lease components by class of asset. We have applied this expedient for office leases, port facilities, and certain equipment.

Significant Assumptions and Judgments in Applying Topic 842 and Practical Expedients Elected

Our leases contain both fixed and variable payments. Fixed payments and variable lease payments that depend on a rate or index are included in the calculation of the right-of-use asset. Other variable payments are excluded from the calculation unless there is an unavoidable fixed minimum cost related to those payments such as a minimum annual guarantee. Our lease assets are amortized on a straight-line basis except for our rights to use port facilities. The expenses related to port facilities are amortized based on passenger counts as this basis represents the pattern in which the economic benefit is derived from the right to use the underlying asset.

For non-consecutive lease terms, which relate to our rights to use certain port facilities, the term of the lease is based on the number of days on which we have the right to use a specified asset. We have adopted the practical expedient to exclude leases with terms of less than one year from being included on the balance sheet. Lease expense for agreements that are short-term are disclosed below and include both fixed and variable payments.

Certain leases include one or more options to extend or terminate and are primarily in five-year increments. Lease extensions and terminations, including auto-renewing lease terms, were only included in the calculation of the right-of-use asset to the extent that the right to renew or terminate was at the option of the lessor only or where there was a more than insignificant penalty for termination.

As our leases do not have a readily determinable implicit rate, we used our weighted average cost of debt to determine the net present value of the lease payments at the adoption date. Our weighted average cost of debt is similar to the incremental borrowing rate we would have obtained if we had borrowed collateralized debt over the lease term to purchase the asset, and the rate was adjusted for longer term leases.

We have also adopted the practical expedient which allows us, by class of asset, to not separate lease and non-lease components when we are the lessor in the underlying transaction, the transactions would otherwise be accounted for under ASC 606–Revenue Recognition and the non-lease components are the predominant components of the agreements. We have applied this practical expedient to transactions with cruise passengers and concession service providers related to the use of our ships. We refer you to Note 3 – "Revenue and Expense from Contracts with Customers."

Impacts on Financial Statements

As a result of the adoption of Topic 842 on January 1, 2019, we recorded operating lease right-of-use assets of $235.0 million and operating lease liabilities of $243.8 million. Another $8.8 million was reclassified to the operating right-of-use assets from other asset and liability accounts relating to the existing leases. The adoption of Topic 842 did not result in the identification of new finance leases. The adoption does not significantly change the timing, classification or amount of expense recognized in our consolidated financial statements nor does it change the timing, classification or amount of cash payments included within the consolidated statement of cash flows.

The components of lease expense and revenue were as follows (in thousands):

	Year Ended December 31, 2019
Operating lease expense	$ 31,596
Variable lease expense	14,284
Short-term lease expense	50,832
Finance lease cost:	
Amortization of right-of-use assets	1,765
Interest on lease liabilities	1,239
Operating lease revenue	446
Sublease income	1,615

Lease balances were as follows (in thousands):

	Balance Sheet location	December 31, 2019
Operating leases		
Right-of-use assets	Other long-term assets	$ 236,604
Current operating lease liabilities	Accrued expenses and other liabilities	39,126
Non-current operating lease liabilities	Other long-term liabilities	207,243
Finance leases		
Right-of-use assets	Property and equipment, net	13,873
Current finance lease liabilities	Current portion of long-term debt	6,419
Non-current finance lease liabilities	Long-term debt	8,812

Supplemental cash flow information related to leases was as follows (in thousands):

	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	$ 75,539
Operating cash outflows from finance leases	1,051
Financing cash outflows from finance leases	2,826
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	24,834
Finance leases	705

As of December 31, 2019, maturities of lease liabilities, weighted-average remaining lease terms and discount rates for our leases were as follows (in thousands, except lease terms and discount rates):

	Operating leases	Finance leases
2020	$ 47,796	$ 6,141
2021	32,144	4,912
2022	31,844	3,957
2023	31,740	730
2024	31,753	677
Thereafter	112,718	629
Total	287,995	17,046
Less: Present value discount	(41,626)	(1,815)
Present value of lease liabilities	$ 246,369	$ 15,231
Weighted average remaining lease term (years)	8.30	3.65
Weighted average discount rate	3.76 %	7.47 %

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018, future minimum lease payments for operating leases having initial or remaining noncancelable lease terms in excess of one year were as follows under the previous lease accounting standard (ASC 840) (in thousands):

Year	December 31, 2018
2019	$ 16,651
2020	16,105
2021	15,315
2022	14,391
2023	13,462
Thereafter	52,626
Total minimum annual rentals	$ 128,550

Leases That Have Not Yet Commenced

We have multiple agreements that have been executed where the lease term has not commenced as of December 31, 2019. These are primarily related to our rights to use certain port facilities currently under construction. Although we may have provided design input, construction management services, or advances related to these assets, we have determined that we do not control these assets during the period of construction. These port facilities are expected to open for use during 2020 and include undiscounted minimum annual guarantees of approximately $1.1 billion of passenger fees.

6. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) was as follows (in thousands):

	Year Ended December 31, 2019		
	Accumulated Other Comprehensive Income (Loss)	Change Related to Cash Flow Hedges	Change Related to Shipboard Retirement Plan
Accumulated other comprehensive income (loss) at beginning of period	$ (161,647)	$ (157,449)	$ (4,198)
Current period other comprehensive loss before reclassifications	(125,323)	(123,015)	(2,308)
Amounts reclassified into earnings	(8,520)	(8,898)(1)	378 (2)
Accumulated other comprehensive income (loss) at end of period	$ (295,490)	$ (289,362)(3)	$ (6,128)

	Year Ended December 31, 2018		
	Accumulated Other Comprehensive Income (Loss)	Change Related to Cash Flow Hedges	Change Related to Shipboard Retirement Plan
Accumulated other comprehensive income (loss) at beginning of period	$ 26,966	$ 33,861	$ (6,895)
Current period other comprehensive income (loss) before reclassifications	(158,943)	(161,214)	2,271
Amounts reclassified into earnings	(29,670)	(30,096)(1)	426 (2)
Accumulated other comprehensive income (loss) at end of period	$ (161,647)	$ (157,449)	$ (4,198)

	Year Ended December 31, 2017		
	Accumulated Other Comprehensive Income (Loss)	Change Related to Cash Flow Hedges	Change Related to Shipboard Retirement Plan
Accumulated other comprehensive income (loss) at beginning of period	$ (314,473)	$ (307,618)	$ (6,855)
Current period other comprehensive income (loss) before reclassifications	304,226	304,684	(458)
Amounts reclassified into earnings	37,213	36,795 (1)	418 (4)
Accumulated other comprehensive income (loss) at end of period	$ 26,966	$ 33,861	$ (6,895)

(1) We refer you to Note 10— "Fair Value Measurements and Derivatives" in these notes to consolidated financial statements for the affected line items in the consolidated statements of operations.
(2) Amortization of prior-service cost and actuarial loss reclassified to other income (expense), net.
(3) Includes $16.5 million of loss expected to be reclassified into earnings in the next 12 months.
(4) Amortization of prior-service cost and actuarial loss reclassified to payroll and related expense.

7. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	December 31,	
	2019	2018
Ships	$ 14,154,578	$ 13,032,555
Ships improvements	1,865,272	1,407,989
Ships under construction	387,749	491,632
Land and land improvements	38,375	34,936
Other	672,975	558,052
	17,118,949	15,525,164
Less: accumulated depreciation	(3,983,612)	(3,405,911)
Property and equipment, net	$ 13,135,337	$ 12,119,253

The increase in ships was primarily due to the addition of Norwegian Encore. The Company capitalized approximately $458.9 million of costs associated with ship improvements. Depreciation expense for the years ended December 31, 2019, 2018 and 2017 was $627.7 million, $534.9 million and $478.7 million, respectively. Repairs and maintenance expenses including Dry-dock expenses were $199.7 million, $199.5 million and $157.2 million for the years ended December 31, 2019, 2018 and 2017, respectively, and were recorded within other cruise operating expense.

Ships under construction include progress payments to the shipyard, planning and design fees and other associated costs. Capitalized interest costs which were primarily associated with the construction or revitalization of ships amounted to $32.9 million, $30.4 million and $29.0 million for the years ended December 31, 2019, 2018 and 2017, respectively.

8. Long-Term Debt

Long-term debt consisted of the following:

	Interest Rate December 31,		Maturities	Balance December 31,	
	2019	2018	Through	2019	2018
				(in thousands)	
$875.0 million senior secured revolving credit facility	—	3.96 %	2024	$ —	$ 130,000
$75.0 million revolving credit line	2.75 %	—	2020	75,000	—
Term Loan A	3.06 %	4.01 %	2024	1,565,512	1,256,167
$375.0 million Term Loan B (1)	—	4.26 %	2021	—	368,982
$700.0 million 4.750% senior unsecured notes	—	4.75 %	2021	—	561,021
$565.0 million 3.625% senior unsecured notes	3.63 %	—	2024	558,781	—
€662.9 million Norwegian Epic term loan (2)	—	4.58 %	2022	—	259,394
$260 million Norwegian Jewel term loan	2.54 %	—	2022	221,860	—
$230 million Pride of America term loan	2.81 %	—	2021	229,621	—
€529.8 million Breakaway one loan (2)	2.84 %	4.09 %	2025	305,969	360,680
€529.8 million Breakaway two loan (2)	4.10 %	4.50 %	2026	370,531	426,503
€590.5 million Breakaway three loan (2)	2.98 %	2.98 %	2027	478,665	537,223
€729.9 million Breakaway four loan (2)	2.98 %	2.98 %	2029	630,088	694,536
€710.8 million Seahawk 1 term loan (2)	3.92 %	3.92 %	2030	692,150	756,061
€748.7 million Seahawk 2 term loan (2)	3.92 %	3.92 %	2031	856,188	187,612
Leonardo newbuild one loan	2.68 %	2.68 %	2034	48,009	48,009
Leonardo newbuild two loan	2.77 %	2.77 %	2035	48,009	48,009
Leonardo newbuild three loan	1.22 %	1.22 %	2036	42,700	43,667
Leonardo newbuild four loan	1.31 %	1.31 %	2037	42,700	43,667
Sirena loan	—	2.75 %	2019	—	13,856
Explorer newbuild loan	3.43 %	3.43 %	2028	242,449	268,970
Marina newbuild loan (3)	2.75 %	3.07 %	2023	156,319	201,007
Riviera newbuild loan (4)	2.48 %	3.32 %	2024	202,233	247,203
Finance lease and license obligations	Various	Various	2028	34,909	39,524
Total debt				6,801,693	6,492,091
Less: current portion of long-term debt				(746,358)	(681,218)
Total long-term debt				$ 6,055,335	$ 5,810,873

(1) Includes original issue discount of $0.7 million as of December 31, 2018.
(2) Currently U.S. dollar-denominated.
(3) Includes premium of $0.1 million as of December 31, 2019 and 2018.
(4) Includes premium of $0.1 million and $0.2 million as of December 31, 2019 and 2018, respectively.

On December 16, 2019, NCLC issued $565.0 million aggregate principle amount of 3.625% senior unsecured notes due December 2024 (the "Notes") in a private offering (the "Offering") at par. NCLC used the net proceeds from the Offering, after deducting the initial purchasers' discount and estimated fees and expenses, together with cash on hand, to redeem $565.0 million principal amount of outstanding 4.75% Senior Notes due 2021 at a price equal to 100% of the principal amount being redeemed and paid the premium of $6.7 million. The redemption also resulted in a write-off of $2.7 million of deferred fees.

NCLC will pay interest on the Notes at 3.625% per annum, semiannually on June 15 and December 15 of each year, commencing on June 15, 2020, to holders of record at the close of business on the immediately preceding June 1 and December 1, respectively. NCLC may redeem the Notes, in whole or part, at any time prior to December 15, 2021, at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest to, but not including, the redemption date and a "make-whole premium." NCLC may redeem the Notes, in whole or in part, on or after December 15, 2021, at the redemption prices set forth in the indenture governing the Notes. At any time (which may be more than once) on or prior to December 15, 2021, NCLC may choose to redeem up to 40% of the aggregate principal amount of the Notes at a redemption price equal to 103.625% of the face amount thereof with an amount equal to the net proceeds of one or more equity offerings, so long as at least 60% of the aggregate principal amount of the Notes issued remains outstanding following such redemption. The indenture governing the Notes contains covenants that limit NCLC's ability to, among other things: (i) create liens on certain assets to secure debt; (ii) enter into sale leaseback transactions; and (iii) consolidate, merge, sell or otherwise dispose of all or substantially all of its assets. The indenture governing the Notes also provides for events of default, which, if any of them occurs, would permit or require the principal, premium (if any), interest and other monetary obligations on all of the then-outstanding Notes to become due and payable immediately.

On October 30, 2019, we took delivery of Norwegian Encore. We had export financing in place for 80% of the contract price. The associated $882.9 million term loan bears interest at a fixed rate of 3.92% with a maturity date of October 30, 2031. Principal and interest payments are payable semiannually.

In October 2019, we entered into a $75 million revolving credit line agreement that matures in October 2020 and bears interest at LIBOR plus a margin of 0.95%.

NCLC entered into a $260 million credit agreement, dated as of May 15, 2019, with Bank of America, N.A., as administrative agent and collateral agent, and certain other lenders. The proceeds of this term loan were used to prepay the then outstanding principal and accrued interest of the Norwegian Epic term loan. The $260 million term loan is secured by Norwegian Jewel Limited, bears interest at LIBOR plus a margin of 0.80%, and matures on May 15, 2022. The transaction resulted in a loss on extinguishment of debt of $1.1 million.

NCLC entered into a $230 million credit agreement, dated as of January 10, 2019, with Nordea Bank ABP, New York Branch, as administrative agent and collateral agent, and certain other lenders. The proceeds of this term loan will be used for general corporate purposes, including to finance the pre-delivery installments due to the builder under the Company's shipbuilding contracts. The $230 million term loan is secured by Pride of America Ship Holding, LLC and bears interest at LIBOR plus a margin of 1.00%. The term loan matures on January 10, 2021; however, NCLC may elect to extend the maturity date to January 10, 2022 provided certain conditions are met. Should NCLC elect to extend the maturity date, the interest rate will be LIBOR plus a margin of 1.10% for the third year.

NCLC entered into a Fourth Amended and Restated Credit Agreement, dated as of January 2, 2019, with a subsidiary of NCLC, as co-borrower and JPMorgan Chase Bank, N.A., as administrative agent, and certain other lenders. This revised facility, among other things, (a) reduced the pricing of our existing $875 million Revolving Loan Facility, (b) reduced the pricing and increased the approximately $1.3 billion principal amount outstanding under the term loan A facility to $1.6 billion, and (c) extended the maturity dates for our Revolving Loan Facility and our term loan A facility to 2024, subject to certain conditions. We used the proceeds from the increase in our term loan A facility to prepay all of the then outstanding amounts under our term loan B facility. The transaction resulted in a loss on extinguishment of debt of $2.9 million.

The applicable margin under the new term loan A facility and new Revolving Loan Facility is determined by reference to a total leverage ratio, with an applicable margin of between 1.75% and 1.00% with respect to Eurocurrency loans and between 0.75% and 0.00% with respect to base rate loans. The margin as of December 31, 2019 for borrowings under the new term loan A facility and new Revolving Loan Facility was 1.25% with respect to Eurocurrency borrowings. In addition to paying interest on outstanding principal under the borrowings, we are obligated to pay a quarterly commitment fee at a rate determined by reference to a total net leverage ratio, with a maximum commitment fee of 0.30%.

Interest expense, net for the year ended December 31, 2019 was $272.9 million which included $27.5 million of amortization of deferred financing fees and a $16.7 million loss on extinguishment and modification of debt. Interest expense, net for the year ended December 31, 2018 was $270.4 million which included $31.4 million of amortization of deferred financing fees and a $6.3 million loss on extinguishment of debt. Interest expense, net for the year ended December 31, 2017 was $267.8 million which included $32.5 million of amortization of deferred financing fees and a $23.9 million loss on extinguishment and modification of debt.

Certain of our debt agreements contain covenants that, among other things, require us to maintain a minimum level of liquidity, as well as limit our net funded debt-to-capital ratio, and maintain certain other ratios and restrict our ability to pay dividends. Substantially all of our ships and other property and equipment are pledged as collateral for certain of our debt. We believe we were in compliance with our covenants as of December 31, 2019.

The following are scheduled principal repayments on long-term debt including finance lease obligations as of December 31, 2019 for each of the next five years (in thousands):

Year		Amount
2020	$	746,358
2021		899,206
2022		667,456
2023		574,492
2024		2,260,295
Thereafter		1,778,870
Total	$	6,926,677

We had an accrued interest liability of $33.3 million and $37.2 million as of December 31, 2019 and 2018, respectively.

9. Related Party Disclosures

Transactions with Genting HK and Apollo

In December 2018, as part of a public equity offering of NCLH's ordinary shares owned by Apollo and Genting HK, NCLH repurchased 1,683,168 of its ordinary shares sold in the offering for approximately $85.0 million pursuant to its Repurchase Program.

In March 2018, as part of a public equity offering of NCLH's ordinary shares owned by Apollo and Genting HK, NCLH repurchased 4,722,312 of its ordinary shares sold in the offering for approximately $263.5 million pursuant to its then existing share repurchase program.

10. Fair Value Measurements and Derivatives

Fair value is defined as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

Fair Value Hierarchy

The following hierarchy for inputs used in measuring fair value should maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that the most observable inputs be used when available:

Level 1 — Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement dates.
Level 2 — Significant other observable inputs that are used by market participants in pricing the asset or liability based on market data obtained from independent sources.
Level 3 — Significant unobservable inputs we believe market participants would use in pricing the asset or liability based on the best information available.

Derivatives

We are exposed to market risk attributable to changes in interest rates, foreign currency exchange rates and fuel prices. We attempt to minimize these risks through a combination of our normal operating and financing activities and through the use of derivatives. We assess whether derivatives used in hedging transactions are “highly effective” in offsetting changes in the cash flow of our hedged forecasted transactions. We use regression analysis for this hedge relationship and high effectiveness is achieved when a statistically valid relationship reflects a high degree of offset and correlation between the fair values of the derivative and the hedged forecasted transaction. Cash flows from the derivatives are classified in the same category as the cash flows from the underlying hedged transaction. If it is determined that the hedged forecasted transaction is no longer probable of occurring, then the amount recognized in accumulated other comprehensive income (loss) is released to earnings. There are no amounts excluded from the assessment of hedge effectiveness and there are no credit-risk-related contingent features in our derivative agreements. We monitor concentrations of credit risk associated with financial and other institutions with which we conduct significant business. Credit risk, including but not limited to counterparty non-performance under derivatives, is not considered significant, as we primarily conduct business with large, well-established financial institutions with which we have established relationships, and which have credit risks acceptable to us, or the credit risk is spread out among many creditors. We do not anticipate non-performance by any of our significant counterparties.

As of December 31, 2019, we had fuel swaps, which are used to mitigate the financial impact of volatility of fuel prices pertaining to approximately 1.1 million metric tons of our projected fuel purchases, maturing throughDecember 31, 2022.

As of December 31, 2019, we had foreign currency forward contracts, matured foreign currency options and matured foreign currency collars which are used to mitigate the financial impact of volatility in foreign currency exchange rates related to our ship construction contracts denominated in euros. The notional amount of our foreign currency forward contracts was €1.8 billion, or $2.0 billion based on the euro/U.S. dollar exchange rate as of December 31, 2019.

As of December 31, 2019, we had interest rate swaps and collars, which are used to hedge our exposure to interest rate movements and manage our interest expense. The notional amount of our outstanding debt associated with the interest rate swaps and collars was $1.7 billion as of December 31, 2019.

The derivatives measured at fair value and the respective location in the consolidated balance sheets includes the following (in thousands):

		Assets		Liabilities	
	Balance Sheet Location	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Derivative Contracts Designated as Hedging Instruments					
Fuel contracts					
	Prepaid expenses and other assets	$ —	$ 2,583	$ —	$ 1
	Other long-term assets	277	197	—	29
	Accrued expenses and other liabilities	2,300	1,173	18,257	19,547
	Other long-term liabilities	683	933	17,763	51,184
Foreign currency contracts					
	Prepaid expenses and other assets	—	5,285	—	1,497
	Other long-term assets	—	3,514	—	—
	Accrued expenses and other liabilities	—	112	33,475	5,145
	Other long-term liabilities	169	2,874	118,500	40,476
Interest rate contracts					
	Prepaid expenses and other assets	—	519	—	—
	Other long-term assets	—	27	—	—
	Accrued expenses and other liabilities	—	—	2,178	—
	Other long-term liabilities	—	—	1,861	—
Total derivatives designated as hedging instruments		$ 3,429	$ 17,217	$ 192,034	$ 117,879

The fair values of swap and forward contracts are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. The Company determines the value of options and collars utilizing an option pricing model based on inputs that are either readily available in public markets or can be derived from information available in publicly quoted markets. The option pricing model used by the Company is an industry standard model for valuing options and is used by the broker/dealer community. The inputs to this option pricing model are the option strike price, underlying price, risk-free rate of interest, time to expiration, and volatility. The fair value of option contracts considers both the intrinsic value and any remaining time value associated with those derivatives that have not yet settled. The Company also considers counterparty credit risk and its own credit risk in its determination of all estimated fair values.

Our derivatives and financial instruments were categorized as Level 2 in the fair value hierarchy, and we had no derivatives or financial instruments categorized as Level 1 or Level 3. Our derivative contracts include rights of offset with our counterparties. We have elected to net certain assets and liabilities within counterparties when the rights of offset exist. We are not required to post cash collateral related to our derivative instruments.

The gross and net amounts recognized within assets and liabilities include the following (in thousands):

December 31, 2019	Gross Amounts	Gross Amounts Offset	Total Net Amounts	Gross Amounts Not Offset	Net Amounts
Assets	$ 277	$ —	$ 277	$ —	$ 277
Liabilities	192,034	(3,152)	188,882	(149,863)	39,019

December 31, 2018	Gross Amounts	Gross Amounts Offset	Total Net Amounts	Gross Amounts Not Offset	Net Amounts
Assets	$ 12,125	$ (1,527)	$ 10,598	$ (6,872)	$ 3,726
Liabilities	116,352	(5,092)	111,260	(35,718)	75,542

The effects of cash flow hedge accounting on accumulated other comprehensive income (loss) include the following (in thousands):

Derivatives	Amount of Gain (Loss) Recognized in Other Comprehensive Income			Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income		
	Year Ended December 31,				Year Ended December 31,		
	2019	2018	2017		2019	2018	2017
Fuel contracts	$ 46,154	$ (52,949)	$ 50,263	Fuel	$ 14,093	$ 34,410	$ (29,721)
Foreign currency contracts	(163,197)	(108,911)	254,070	Depreciation and amortization	(3,062)	(3,463)	(4,077)
Interest rate contracts	(5,972)	646	351	Interest expense, net	(2,133)	(851)	(2,997)
Total gain (loss) recognized in other comprehensive income	$ (123,015)	$ (161,214)	$ 304,684		$ 8,898	$ 30,096	$ (36,795)

The effects of cash flow hedge accounting on the consolidated statements of operations include the following (in thousands):

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Fuel	Depreciation and Amortization	Interest Expense, net	Fuel	Depreciation and Amortization	Interest Expense, net
Total amounts of income and expense line items presented in the consolidated statements of operations in which the effects of cash flow hedges are recorded	$ 409,602	$ 646,188	$ 272,867	$ 392,685	$ 561,060	$ 270,404
Amount of gain (loss) reclassified from accumulated other comprehensive income (loss) into income						
Fuel contracts	14,093	—	—	34,410	—	—
Foreign currency contracts	—	(3,062)	—	—	(3,463)	—
Interest rate contracts	—	—	(2,133)	—	—	(851)

The effects of cash flow hedge accounting on the consolidated statements of operations include the following (in thousands):

	Year Ended December 31, 2017		
	Fuel	Depreciation and Amortization	Interest Expense, net
Total amounts of income and expense line items presented in the consolidated statements of operations in which the effects of cash flow hedges are recorded	$ 361,032	$ 509,957	$ 267,804
Amount of gain (loss) reclassified from accumulated other comprehensive income (loss) into income			
Fuel contracts	(29,721)	—	—
Foreign currency contracts	—	(4,077)	—
Interest rate contracts	—	—	(2,997)

Other

The carrying amounts reported in the consolidated balance sheets of all other financial assets and liabilities approximate fair value.

Long-Term Debt

As of December 31, 2019 and 2018, the fair value of our long-term debt, including the current portion, was $6,957.8 million and $6,601.9 million, respectively, which was $31.3 million higher and $8.4 million lower, respectively, than the carrying values. The difference between the fair value and carrying value of our long-term debt is due to our fixed and variable rate debt obligations carrying interest rates that are above or below market rates at the measurement dates. Market risk associated with our long-term variable rate debt is the potential increase in interest expense from an increase in interest rates. The fair value of our long-term debt was calculated based on estimated rates for the same or similar instruments with similar terms and remaining maturities, which represent Level 2 inputs in the fair value hierarchy.

Non-Recurring Measurements of Non-Financial Assets

Goodwill and other indefinite-lived assets, principally tradenames, are reviewed for impairment on an annual basis or earlier if there is an event or change in circumstances that would indicate that the carrying value of these assets may not be fully recoverable.

We believe our estimates and judgments with respect to our long-lived assets, principally ships, and goodwill and other indefinite-lived intangible assets are reasonable. Nonetheless, if there was a material change in assumptions used in the determination of such fair values or if there is a material change in the conditions or circumstances that influence such assets, we could be required to record an impairment charge. We estimate fair value based on the best information available utilizing estimates, judgments and projections as necessary. As of December 31, 2019, our annual review supports the carrying value of these assets.

11. Employee Benefits and Share-Based Compensation

Amended and Restated 2013 Performance Incentive Plan

In January 2013, NCLH adopted the 2013 Performance Incentive Plan, which provided for the issuance of up to 15,035,106 of NCLH's ordinary shares pursuant to awards granted under the plan, with no more than 5,000,000 shares being granted to one individual in any calendar year. In May 2016, the plan was amended and restated ("Restated 2013 Plan") pursuant to approval from the Board of Directors and NCLH's shareholders. Among other things, under the Restated 2013 Plan, the number of NCLH's ordinary shares that may be delivered pursuant to all awards granted under the plan was increased by an additional 12,430,000 shares to a new maximum aggregate limit of 27,465,106 shares. Additionally, the expiration date of the Restated 2013 Plan was extended to March 30, 2026. Share options under the plan are granted with an exercise price equal to the closing market price of NCLH shares at the date of grant. The vesting period for time-based options is typically set at three, four or five years with a contractual life ranging from seven to 10 years. The vesting period for time-based and performance-based restricted share units is generally three years. Forfeited awards will be available for subsequent awards under the Restated 2013 Plan.

Share Option Awards

There were no time-based share option awards granted for the years ended December 31, 2019, 2018 and 2017 or performance-based share option awards granted for the year ended December 31, 2019. The performance-based options awarded to our President and Chief Executive Officer in August 2015 were subject to performance conditions such that the number of awards that ultimately vested depended on the adjusted earnings per share ("Adjusted EPS") and adjusted return on invested capital ("Adjusted ROIC") achieved by the Company during the performance period compared to targets established at the award date. Although the terms of the performance-based awards provide the compensation committee with the discretion to make certain adjustments to the performance calculation, it was determined that a mutual understanding of the key terms and conditions of the awards had been ascertained. In 2018, the grant date was therefore established for performance-based awards granted in prior years. The fair value of each performance-based option award is estimated on the date of grant using the Black-Scholes option-pricing model. The estimated fair value of the share options is amortized over the requisite service period using the straight-line method. The assumptions used within the option-pricing model for the performance-based awards are as follows:

	2018	2017
Dividend yield	—%	—%
Expected share price volatility	31.50% - 32.20%	25.97%
Risk-free interest rate	2.48% - 2.58%	1.81%
Expected term	3.72 - 4.22 years	4.20 years

Expected volatility was determined based on the historical share prices in our industry. The risk-free rate was based on U.S. Treasury zero coupon issues with a remaining term equal to the expected option term at grant date. The expected term was calculated under the simplified method.

The following table sets forth a summary of option activity under NCLH's Restated 2013 Plan for the period presented:

	Number of Share Option Awards			Weighted-Average Exercise Price			Weighted-Average Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
	Time-Based Awards	Performance-Based Awards	Market-Based Awards	Time-Based Awards	Performance-Based Awards	Market-Based Awards		
Outstanding as of January 1, 2019	5,686,793	410,499	208,333	$ 50.65	$ 45.67	$ 59.43	6.22	$ 13,946
Exercised	(636,073)	(138,759)	—	40.30	19.00	—		
Forfeited and cancelled	(132,166)	(156,251)	—	56.13	59.43	—		
Outstanding as of December 31, 2019	4,918,554	115,489	208,333	$ 51.84	$ 59.11	$ 59.43	5.42	$ 33,413
Vested and expected to vest as of December 31, 2019	4,918,554	115,489	—	$ 51.84	$ 59.11	$ —	5.41	$ 33,413
Exercisable as of December 31, 2019	4,917,721	115,489	—	$ 51.84	$ 59.11	$ —	5.41	$ 33,411

The weighted-average grant-date fair value of performance-based options granted (or where a grant date had not been previously established, the fair value recognized) during the years ended December 31, 2018 and 2017 was $15.20 and $8.55, respectively. The total intrinsic value of share options exercised during 2019, 2018 and 2017 was $13.3 million, $16.7 million and $18.9 million, respectively, and total cash received by the Company from exercises was $28.3 million, $25.8 million and $27.4 million, respectively. As of December 31, 2019, there was no unrecognized compensation cost, related to options granted under our share-based incentive plans.

Restricted Ordinary Share Awards

The following is a summary of NCLH's restricted ordinary share activity for the period presented:

	Number of Time-Based Awards	Weighted-Average Grant Date Fair Value
Non-vested as of January 1, 2019	429	$ 58.41
Vested	(429)	58.41
Non-vested as of December 31, 2019	—	$ —

Restricted Share Unit ("RSU") Awards

On March 1, 2019, NCLH granted to certain employees 1.9 million time-based RSU awards which vest equally over three years. Also on March 1, 2019, NCLH granted to certain members of our management team 0.5 million performance-based RSU awards, which vest upon the achievement of certain pre-established performance targets and which amount assumes the maximum level of achievement.

The fair value of the time-based and performance-based RSUs is equal to the closing market price of NCLH shares at the date of grant. The performance-based RSUs awarded to certain members of our management team are subject to performance conditions such that the number of shares that ultimately vest depends on the Adjusted EPS and Adjusted ROIC achieved by the Company during the performance period compared to targets established at the award date. Although the terms of the performance-based RSU awards provide the compensation committee with the discretion to make certain adjustments to the performance calculation, it was determined that a mutual understanding of the key terms and conditions of the awards has been ascertained. In 2018, the grant date was therefore established for performance-based RSU awards granted in prior years. The Company remeasures the probability and the cumulative share-based compensation expense of the awards each reporting period until vesting or forfeiture occurs.

The following table sets forth a summary of RSU activity for the period presented:

	Number of Time-Based Awards	Weighted-Average Grant Date Fair Value	Number of Performance-Based Awards	Weighted-Average Grant Date Fair Value	Number of Market-Based Awards	Weighted-Average Grant Date Fair Value
Non-vested as of January 1, 2019	2,973,032	$ 53.98	825,614	$ 56.58	50,000	$ 59.43
Granted	1,929,495	55.00	462,282 (1)	55.27	—	—
Vested	(1,430,291)	53.02	(121,000)	56.27	—	—
Forfeited or expired	(226,611)	55.04	(37,500)	56.27	—	—
Non-vested as of December 31, 2019	3,245,625	$ 54.94	1,129,396	$ 56.09	50,000	$ 59.43
Non-vested and expected to vest as of December 31, 2019	3,245,625	$ 54.94	483,976	$ 56.61	—	$ —

(1) Number of performance-based restricted share units included assumes maximum achievement of performance targets.

As of December 31, 2019, there was total unrecognized compensation costs related to non-vested time-based, non-vested performance-based and market-based RSUs of $106.5 million, $9.2 million and $0, respectively. The costs are expected to be recognized over a weighted-average period of 1.8 years, 1.1 years and 0 years, respectively, for the time-based, performance-based and market-based RSUs. Taxes paid pursuant to net share settlements in 2019, 2018 and 2017 were $20.9 million, $13.9 million and $6.3 million, respectively.

Employee Stock Purchase Plan ("ESPP")

In April 2014, NCLH's shareholders approved the ESPP. The purpose of the ESPP is to provide eligible employees with an opportunity to purchase NCLH's ordinary shares at a favorable price and upon favorable terms in consideration of the participating employees' continued services. A maximum of 2,000,000 of NCLH's ordinary shares may be purchased under the ESPP. To be eligible to participate in an offering period, on the grant date of that period, an individual must be customarily employed by the Company or a participating subsidiary for more than twenty hours per week and for more than five months per calendar year. Participation in the ESPP is also subject to certain limitations. The ESPP is considered to be compensatory based on: a) the 15% purchase price discount and b) the look-back purchase price feature. Since the plan is compensatory, compensation expense must be recorded in the consolidated statements of operations on a straight-line basis over the six-month withholding period. As of December 31, 2019 and 2018, we had a liability for payroll withholdings received of $2.1 million and $1.9 million, respectively.

The compensation expense recognized for share-based compensation for the periods presented include the following (in thousands):

	Year Ended December 31,		
Classification of expense	**2019**	**2018**	**2017**
Payroll and related (1)	$ 17,597	$ 15,629	$ 9,455
Marketing, general and administrative (2)	77,458	100,354	77,584
Total share-based compensation expense	$ 95,055	$ 115,983	$ 87,039

(1) Amounts relate to equity granted to certain of our shipboard officers.
(2) Amounts relate to equity granted to certain of our corporate employees.

Employee Benefit Plans

We offer annual incentive bonuses pursuant to our Restated 2013 Plan for our executive officers and other key employees. Bonuses under the plan become earned and payable based on the Company's performance during the applicable performance period and the individual's continued employment. Company performance criteria include the attainment of certain financial targets and other strategic objectives.

Certain employees are employed pursuant to agreements that provide for severance payments. Severance is generally only payable upon an involuntary termination of the employment by us without cause or a termination by the employee for good reason. Severance generally includes a series of cash payments based on the employee's base salary (and in some cases, bonus), and our payment of the employee's continued medical benefits for the applicable severance period.

We maintain a 401(k) Plan for our shoreside employees, including our executive officers. Participants may contribute up to 100% of eligible compensation each pay period, subject to certain limitations. We make matching contributions equal to 100% of the first 3% and 50% of amounts greater than 3% to and including 10% of each participant's contributions subject to certain limitations. In addition, we may make discretionary supplemental contributions to the 401(k) Plan, which shall be allocated pro rata to each eligible participant based on the compensation of the participant relative to the total compensation of all participants. Our matching contributions are vested according to a five-year schedule. The 401(k) Plan is subject to the provisions of ERISA and is intended to be qualified under section 401(a) of the U.S. Internal Revenue Code (the "Code").

Our matching contributions are reduced by amounts forfeited by those employees who leave the 401(k) Plan prior to vesting fully in the matching contributions. Forfeited contributions of $0.2 million, $0.3 million and $0.3 million were utilized in the years ended December 31, 2019, 2018 and 2017, respectively.

We recorded total expenses related to the above 401(k) Plan of $9.1 million, $9.3 million and $7.3 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Effective January 2009, we implemented the Shipboard Retirement Plan which computes benefits based on years of service, subject to eligibility requirements. The Shipboard Retirement Plan is unfunded with no plan assets. The current portion of the projected benefit obligation of $0.9 million and $1.0 million was included in accrued expenses and other liabilities as of December 31, 2019 and 2018, respectively, and $27.8 million and $23.3 million was included in other long-term liabilities in our consolidated balance sheets as of December 31, 2019 and 2018, respectively.

The amounts related to the Shipboard Retirement Plan were as follows (in thousands):

	As of or for the Year Ended December 31,		
	2019	2018	2017
Pension expense:			
Service cost	$ 2,135	$ 2,167	$ 1,987
Interest cost	1,001	857	887
Amortization of prior service cost	378	378	378
Amortization of actuarial loss	—	51	40
Total pension expense	$ 3,514	$ 3,453	$ 3,292
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$ 24,318	$ 24,587	$ 22,605
Service cost	2,135	2,167	1,987
Interest cost	1,001	857	887
Actuarial gain (loss)	2,308	(2,271)	458
Direct benefit payments	(1,067)	(1,022)	(1,350)
Projected benefit obligation at end of year	$ 28,695	$ 24,318	$ 24,587
Amounts recognized in the consolidated balance sheets:			
Projected benefit obligation	$ 28,695	$ 24,318	$ 24,587

	For the Year Ended December 31,		
	2019	2018	2017
Amounts recognized in accumulated other comprehensive income (loss):			
Prior service cost	$ (3,781)	$ (4,159)	$ (4,537)
Accumulated actuarial loss	(3,413)	(1,105)	(3,426)
Accumulated other comprehensive income (loss)	$ (7,194)	$ (5,264)	$ (7,963)

The discount rates used in the net periodic benefit cost calculation for the years ended December 31, 2019, 2018 and 2017 were4.2%, 3.6% and 4.0%, respectively, and the actuarial loss is amortized over 18.91 years. The discount rate is used to measure and recognize obligations, including adjustments to other comprehensive income (loss), and to determine expense during the periods. It is determined by using bond indices which reflect yields on a broad maturity and industry universe of high-quality corporate bonds.

The pension benefits expected to be paid in each of the next five years and in aggregate for the five years thereafter are as follows (in thousands):

Year	Amount
2020	$ 922
2021	949
2022	1,045
2023	1,208
2024	1,340
Next five years	10,585

12. Income Taxes

We are incorporated in Bermuda. Under current Bermuda law, we are not subject to tax on income and capital gains. We have received from the Minister of Finance under The Exempted Undertakings Tax Protection Act 1966, as amended, an assurance that, in the event that Bermuda enacts legislation imposing tax computed on profits, income, any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance, then the imposition of any such tax shall not be applicable to us or to any of our operations or shares, debentures or other obligations, until March 31, 2035.

The components of net income before income taxes consist of the following (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Bermuda	$ —	$ —	$ —
Foreign - Other	911,365	969,310	770,614
Net income before income taxes	$ 911,365	$ 969,310	$ 770,614

The components of the provision for income taxes consisted of the following benefit (expense) (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Current:			
Bermuda	$ —	$ —	$ —
United States	(975)	(7,409)	1,828
Foreign - Other	(6,294)	(5,371)	(4,617)
Total current:	(7,269)	(12,780)	(2,789)
Deferred:			
Bermuda	—	—	—
United States	25,785	(1,912)	(8,439)
Foreign - Other	347	225	486
Total deferred:	26,132	(1,687)	(7,953)
Income tax benefit (expense)	$ 18,863	$ (14,467)	$ (10,742)

Our reconciliation of income tax expense computed by applying our Bermuda statutory rate and reported income tax benefit (expense) was as follows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Tax at Bermuda statutory rate	$ —	$ —	$ —
Foreign income taxes at different rates	(18,630)	(17,540)	(28,188)
Tax contingencies	(206)	(5)	11,184
Return to provision adjustments	2,014	2,961	(1,397)
Benefit (expense) from change in tax rate	(14)	117	7,659
Valuation allowance	35,699	—	—
Income tax benefit (expense)	$ 18,863	$ (14,467)	$ (10,742)

Deferred tax assets and liabilities were as follows (in thousands):

	As of December 31,	
	2019	2018
Deferred tax assets:		
Loss carryforwards	$ 54,342	$ 63,201
Other	3,573	2,535
Valuation allowance	(5,847)	(41,924)
Total net deferred assets	52,068	23,812
Deferred tax liabilities:		
Property and equipment	(39,571)	(37,448)
Total deferred tax liabilities	(39,571)	(37,448)
Net deferred tax asset (liability)	$ 12,497	$ (13,636)

We have U.S. net operating loss carryforwards of $238.8 million and $278.3 million for the years ended December 31, 2019 and 2018, respectively, which begin to expire in 2031, a portion of which relate to Prestige discussed further below. We have state net operating loss carryforwards of $3.4 million and $4.8 million for the years ended December 31, 2019 and 2018, respectively, which expire between 2025 through 2035.

Included above are deferred tax assets associated with our operations in Norway for which we have provided a full valuation allowance. We have Norway net operating loss carryforwards of $13.3 million and $13.9 million for the years ended December 31, 2019 and 2018, respectively, which can be carried forward indefinitely.

Included above are deferred tax assets associated with our branch operations in the U.K. for which we have provided a full valuation allowance. We have U.K. net operating loss carryforwards of $5.5 million and $7.5 million for the years ended December 31, 2019 and 2018, respectively, which can be carried forward indefinitely.

Included above are deferred tax assets associated with Prestige. We have U.S. net operating loss carryforwards of $145.0 million and $177.5 million for the years ended December 31, 2019 and 2018, respectively, which begin to expire in 2031. Utilization of the Prestige net operating loss carryforwards may be subject to a substantial annual limitation due to ownership change limitations that have occurred previously and/or that could occur in the future, as provided by Section 382 of the Internal Revenue Code of 1986 ("Section 382"). Ownership changes may limit the amount of net operating loss carryforwards that can be utilized to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period. If we have experienced an ownership change, utilization of Prestige's net operating loss carryforwards would be subject to an annual limitation under Section 382. Any limitation may result in expiration of a portion of the net operating loss carryforwards before utilization. Subsequent ownership changes could further impact the limitation in future years. We implemented certain tax restructuring strategies that created our ability to utilize the net operating loss carryforwards of Prestige, for which we had previously provided a full valuation allowance. In March 2019, we completed a Section 382 study that determined the amount of the Prestige net operations loss carryforwards that can be utilized against future taxable income resulting in a tax benefit of $35.7 million in connection with the reversal of substantially all of the Prestige valuation allowance.

In December 2017, the Tax Cuts and Jobs Act (the “Act”) was enacted. Among other provisions, the Act reduces the U.S. federal corporate tax rate from 35% to 21%. Also in December 2017, the SEC staff issued SAB No. 118, which addresses the recognition of provisional amounts when a company does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the effect of the changes in the Act. The measurement period ends when a company has obtained, prepared and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year. The Company completed the accounting for the tax effects of enactment of the Act. There is no material change to the $7.4 million reduction of the value of net deferred tax liabilities (which represents future tax expenses) recorded in 2017 as a discrete tax benefit resulting from the federal corporate income tax rate reduction. Other aspects of the Act were either not applicable or did not have a material impact on the Company’s consolidated financial statements.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits (in thousands):

	As of December 31,	
	2019	2018
Unrecognized tax benefits, beginning of the year	$ 532	$ 532
Gross increases in tax positions from prior periods	200	—
Unrecognized tax benefits, end of year	$ 732	$ 532

If the $0.7 million of unrecognized tax benefits at December 31, 2019 were recognized, our effective tax rate would be minimally affected. We believe that there will not be a significant increase or decrease to the tax positions within 12 months of the reporting date. We recognize interest and penalties related to unrecognized tax benefits in income tax benefit (expense).

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and foreign jurisdictions. We are generally no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by authorities for years prior to 2016, except for years in which NOLs generated prior to 2016 are utilized.

Due to our international structure as well as the existence of international tax treaties that exempt taxation on certain activities, the repatriation of earnings from our subsidiaries would have no tax impact.

We derive our income from the international operation of ships. We are engaged in a trade or business in the U.S. and receive income from sources within the U.S. Under Section 883, certain foreign corporations are exempt from U. S. federal income or branch profits tax on U.S.-source income derived from or incidental to the international operation of ships. Applicable U.S. treasury regulations provide that a foreign corporation will qualify for the benefits of Section 883 if, in relevant part: (i) the foreign country in which the corporation is organized grants an equivalent exemption for income from the international operation of ships to corporations organized in the U.S., and (ii) the foreign corporation has one or more classes of stock that are “primarily and regularly traded on an established securities market” in the U.S. or another qualifying country. We believe that we qualify for the benefits of Section 883 because we are incorporated in qualifying countries and our ordinary shares are primarily and regularly traded on an established securities market in the U.S.

13. Commitments and Contingencies

Ship Construction Contracts

For the Norwegian Brand, Project Leonardo will introduce an additional six ships, each approximately 140,000 Gross Tons with approximately 3,300 Berths, with expected delivery dates from 2022 through 2027, subject to certain conditions. The effectiveness of the contracts to construct two of the ships, expected to be delivered in 2026 and 2027, is contingent upon certain Italian government approvals. For the Regent brand, we have an Explorer Class Ship, Seven Seas Splendor, with approximately 55,000 Gross Tons and 750 Berths, which was delivered in January 2020. We refer you to Note 18 – "Subsequent Events" for additional information. We have one additional order for an Explorer Class Ship to be delivered in 2023. For the Oceania Cruises brand, we have orders for two Allura Class Ships to be delivered in 2022 and 2025, one of which is contingent upon certain Italian government approvals. Each of the Allura Class Ships will be approximately 67,000 Gross Tons and 1,200 Berths.

The combined contract prices of the 10 ships on order for delivery, including Seven Seas Splendor, which was delivered in January 2020, was approximately €7.4 billion, or $8.3 billion based on the euro/U.S. dollar exchange rate as of December 31, 2019.

We have obtained export credit financing for the ships on order which is expected to fund approximately 80% of each contract price, subject to certain conditions. We do not anticipate any contractual breaches or cancellation to occur. However, if any such events were to occur, it could result in, among other things, the forfeiture of prior deposits or payments made by us and potential claims and impairment losses which may materially impact our business, financial condition and results of operations.

As of December 31, 2019, minimum annual payments for non-cancelable ship construction contracts with initial or remaining terms in excess of one year were as follows (in thousands):

Year		Amount
2020	$	556,784
2021		279,254
2022		1,595,262
2023		1,439,097
2024		888,790
Thereafter		829,303
Total minimum annual payments	$	5,588,490

Port Facility Commitments

As of December 31, 2019, future commitments to pay for usage of certain port facilities were as follows (in thousands):

Year		Amount
2020	$	79,418
2021		67,671
2022		68,049
2023		70,100
2024		75,112
Thereafter		1,726,575
Total port facility future commitments	$	2,086,925

Other Commitments

The FMC requires evidence of financial responsibility for those offering transportation on passenger ships operating out of U.S. ports to indemnify passengers in the event of non-performance of the transportation. Accordingly, each of our three brands are required to maintain a $32.0 million third-party performance guarantee in respect of liabilities for non-performance of transportation and other obligations to passengers. The guarantee requirements are subject to additional consumer price index-based adjustments. Also, our brands have a legal requirement to maintain security guarantees based on cruise business originated from the U.K., and we are required to establish financial responsibility by certain jurisdictions to meet liability in the event of non-performance of our obligations to passengers from those jurisdictions. As of December 31, 2019, approximately British Pound Sterling 41.5 million was in place as security guarantees as well as a consumer protection policy covering up to €110.0 million.

From time to time, various other regulatory and legislative changes have been or may in the future be proposed that may have an effect on our operations in the U.S. and the cruise industry in general.

Litigation

Helms-Burton Act

On August 27, 2019, two lawsuits were filed against Norwegian Cruise Line Holdings Ltd. in the United States District Court for the Southern District of Florida under Title III of the Cuban Liberty and Solidarity (Libertad) Act of 1996, also known as the Helms-Burton Act. The complaint filed by Havana Docks Corporation alleges it holds an interest in the Havana Cruise Port Terminal and the complaint filed by Javier Garcia-Bengochea alleges that he holds an interest in the Port of Santiago, Cuba, both of which were expropriated by the Cuban Government. The complaints further allege that the Company "trafficked" in those properties by embarking and disembarking passengers at these facilities. The plaintiffs seek all available statutory remedies, including the value of the expropriated property, plus interest, treble damages, attorneys' fees and costs. On January 7, 2020, the United States District Court for the Southern District of Florida dismissed the claim by Havana Docks Corporation. We believe that the plaintiff plans to appeal the order. Although we believe we have meritorious defenses to the claims and intend to vigorously defend these matters, as of December 31, 2019, we are unable to reasonably estimate any potential contingent loss from these matters due to a lack of legal precedence.

Other

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 is typically limited to our deductible amount.

Nonetheless, the ultimate outcome of these claims and lawsuits that are not covered by insurance cannot be determined at this time. We have evaluated our overall exposure with respect to all of our threatened and pending litigation and, to the extent required, we have accrued amounts for all estimable probable losses associated with our deemed exposure. We are currently unable to estimate any other potential contingent losses beyond those accrued, as discovery is not complete nor is adequate information available to estimate such range of loss or potential recovery. However, based on our current knowledge, we do not believe that the aggregate amount or range of reasonably possible losses with respect to these matters will be material to our consolidated results of operations, financial condition or cash flows. We intend to vigorously defend our legal position on all claims and, to the extent necessary, seek recovery.

14. Other Income (Expense), Net

Other income (expense), net was income of $6.2 million, income of $20.7 million, and expense of $10.4 million for the years ended December 31, 2019, 2018 and 2017, respectively. In 2019, the income was primarily due to gains from insurance proceeds and a litigation settlement partially offset by losses on foreign currency exchange. In 2018, the income was primarily due to foreign currency exchange gains. In 2017, the expense was primarily related to foreign currency exchange losses.

15. **Concentration Risk**

We contract with a single vendor to provide many of our hotel and restaurant services including both food and labor costs. We incurred expenses of $153.6 million, $153.7 million and $152.3 million for the years ended December 31, 2019, 2018 and 2017, respectively, which are recorded in payroll and related in our consolidated statements of operations.

16. **Supplemental Cash Flow Information**

For the year ended December 31, 2019, we had non-cash investing activities related to property and equipment of $8.2 million. For the year ended December 31, 2019, we paid income taxes of $13.4 million and interest and related fees, net of capitalized interest, of $291.2 million.

For the year ended December 31, 2018, we had non-cash investing activities related to property and equipment of $39.7 million and net foreign currency adjustments of $5.5 million related to euro-denominated debt related to the financing of two of our Project Leonardo ships. For the year ended December 31, 2018, we paid income taxes of $10.0 million and interest and related fees, net of capitalized interest, of $350.4 million.

For the year ended December 31, 2017, we had non-cash investing activities in connection with property and equipment of $20.0 million and non-cash investing activities related to capital leases of $13.3 million. For the year ended December 31, 2017, we paid income taxes of $11.7 million and interest and related fees, net of capitalized interest, of $284.9 million.

17. **Quarterly Selected Financial Data (Unaudited) (in thousands, except per share data)**

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2019	2018	2019	2018	2019	2018	2019	2018
Total revenue	$ 1,403,630	$ 1,293,403	$ 1,664,277	$ 1,522,174	$ 1,913,851	$ 1,858,356	$ 1,480,618	$ 1,381,193
Operating income	$ 158,296	$ 167,053	$ 308,681	$ 292,152	$ 511,724	$ 550,276	$ 199,376	$ 209,580
Net income	$ 118,157	$ 103,155	$ 240,190	$ 226,676	$ 450,584	$ 470,378	$ 121,297	$ 154,634
Earnings per share:								
Basic	$ 0.54	$ 0.45	$ 1.11	$ 1.02	$ 2.10	$ 2.12	$ 0.57	$ 0.70
Diluted	$ 0.54	$ 0.45	$ 1.11	$ 1.01	$ 2.09	$ 2.11	$ 0.56	$ 0.70

The seasonality of the North American cruise industry generally results in the greatest demand for cruises during the Northern Hemisphere's summer months. This predictable seasonality in demand has resulted in fluctuations in our revenue and results of operations. The seasonality of our results is increased due to ships being taken out of service for regularly scheduled Dry-docks, which we typically scheduled during non-peak demand periods.

18. **Subsequent Events**

In January 2020, we took delivery of Seven Seas Splendor. We had export financing in place for 80% of the contract price. The associated $426.0 million term loan bears interest at a fixed rate of 3.01% with a maturity date of January 30, 2032. Principal and interest payments are payable semiannually.

In late January 2020, the COVID-19 coronavirus outbreak began impacting the Company's financial performance and operations. The Company has begun to experience costs and lost revenue related to itinerary modifications, travel restrictions and advisories, the unavailability of ports and/or destinations, cancellations and redeployments. The COVID-19 coronavirus is also impacting consumer sentiment regarding cruise travel generally. Due to the unknown duration and extent of the outbreak, the full effect on our financial performance cannot be quantified at this time.

Events Subsequent to Original Issuance of Financial Statements

We have taken several measures to improve our liquidity through refinancing existing debt amortization, including under our agreements with export credit agencies ("ECAs") and related governments and to extend the maturities and refinancing amortization under other agreements. As previously disclosed, we have obtained lender consents to refinance amortization payments and waive financial covenants during the specified period under our ECA backed facilities on the basis of debt holiday principles published by the relevant ECAs.

Beginning on April 20, 2020, NCLC amended the export-credit backed facilities that finance Norwegian Bliss, Norwegian Breakaway, Norwegian Encore, Norwegian Escape, Norwegian Getaway and Norwegian Joy to incorporate the terms of a 12-month debt holiday initiative offered to the cruise industry by Euler Hermes Aktiengesellschaft ("Hermes"), the official ECA of Germany. The debt holiday was initiated to provide interim debt service and financial covenant relief for borrowers during the current global COVID-19 pandemic with respect to their Hermes guaranteed financings. Across these facilities, the amendments with Hermes provide approximately $385 million of incremental liquidity to the Company through March 31, 2021. The amended agreements provide that, among other things, (a) amortization payments due from April 1, 2020 to March 31, 2021 (the "Deferral Period") on the loans will be deferred and (b) the principal amounts so deferred will constitute separate tranches of loans under the facilities. The loans will accrue interest at a floating rate per annum based on six-month LIBOR plus a margin as follows:

	Margin
€529.8 million Breakaway one loan (Norwegian Breakaway)	0.90 %
€529.8 million Breakaway two loan (Norwegian Getaway)	1.20 %
€590.5 million Breakaway three loan (Norwegian Escape)	1.50 %
€729.9 million Breakaway four loan (Norwegian Joy)	1.50 %
€710.8 million Seahawk 1 term loan (Norwegian Bliss)	1.00 %
€748.7 million Seahawk 2 term loan (Norwegian Encore)	1.00 %

After the end of the Deferral Period, the deferred amounts will amortize in eight equal semiannual installments.

Beginning on April 28, 2020, NCLC amended the credit facilities that secured by Pride of America, Norwegian Epic and Norwegian Jewel to extend the maturity of, and defer amortization with respect to, certain of the debt outstanding under the agreements.

The Pride of America amendment extended the maturity date of the term loan one year to January 10, 2022. From January 10, 2021 to January 10, 2022 the loan shall accrue interest at a per annum rate based on LIBOR plus a margin of 1.75% in the case of Eurocurrency loans or at a per annum rate based on the base rate plus a margin of

in the case of base rate loans.

In March 2020, NCLC entered into a $675 million revolving credit facility ("Epic Credit Facility") maturing on March 4, 2021, with JPMorgan Chase Bank, N.A., as administrative agent and as collateral agent, and certain other lenders party thereto. NCLC has borrowed $675 million under the facility, which bears interest at LIBOR plus a margin of 0.80%. The facility is secured by Norwegian Epic, Ltd. In April 2020, NCLC entered into an incremental assumption agreement, which supplements the Epic Credit Facility. The incremental assumption agreement provides that the maturity date of the revolving facility commitments will be extended to June 2, 2021 (which shall automatically be further extended to March 3, 2022 if NCLC consummates a debt or equity financing resulting in at least $1.0 billion of aggregate gross proceeds prior to June 30, 2020. The revolving facility loans will accrue interest at a per annum rate based on LIBOR plus a margin of 1.75% in the case of Eurocurrency loans or at a per annum rate based on the base rate plus a margin of 0.75% in the case of base rate loans.

The Norwegian Jewel amendment provides that (a) amortization payments due within the period from consummation of a debt or equity financing resulting in at least $1.0 billion of aggregate gross proceeds to May 1, 2021 on the loans will be deferred, (b) the principal amount so deferred will constitute a separate tranche of loans under the facility (the “Deferred Jewel Loans”) and (c) the amortization payment that would have otherwise been due on May 15, 2020 shall instead be due on June 30, 2020. The Deferred Jewel Loans will accrue interest at a per annum rate based on LIBOR plus a margin of 2.50% in the case of Eurocurrency loans or at a per annum rate based on the base rate plus a margin of 1.50% in the case of base rate loans. After the end of the deferral period, the Deferred Jewel Loan payments will amortize in an aggregate principal amount equal to 25% per annum in semiannual installments.

We are in the process of seeking consents to amend our export-credit backed facilities to incorporate the terms of a 12-month debt holiday initiative offered to the cruise industry by Servizi Assicurativi del Commercio Estero (“SACE”), the official ECA of Italy, to refinance the amortization payments on such facilities, but we cannot guarantee the outcome of that process. While we cannot guarantee the outcome, we will continue to pursue additional refinancings on certain of our remaining debt facilities.

On May 5, 2020, we and NCLC entered into an investment agreement (the “Investment Agreement”) with an affiliate of L Catterton (the “Private Investor”), pursuant to which NCLC agreed to sell and issue to the Private Investor (the “Private Exchangeable Notes Transaction”) up to $400 million in aggregate principal amount of exchangeable senior notes due 2026 (the “Private Exchangeable Notes”). The Private Exchangeable Notes Transaction is expected to close upon the satisfaction of certain customary closing conditions, including a condition that we raise at least $1.0 billion in proceeds (net of underwriting discounts). The Private Exchangeable Notes will accrue interest at a rate of 7.0% per annum for the first year post-issuance (which will accrete to the principal amount), 4.5% per annum interest (which will accrete to the principal amount) plus 3.0% per annum cash interest for the following four years post issuance and 7.5% per annum in cash interest for the final year prior to maturity. In connection with the Private Exchangeable Notes Transaction, we and NCLC will enter into an investor rights agreement with the Private Investor, pursuant to which the Private Investor will be entitled to nominate one member of our board of directors so long as a minimum ownership threshold is met, as well as one observer to our board of directors. The PIPE Investor will have certain registration rights in respect of the ordinary shares underlying the Private Exchangeable Notes and be subject to certain customary transfer, voting and standstill restrictions.

The Private Exchangeable Notes will be guaranteed by us on a senior basis. Holders may exchange their Private Exchangeable Notes at their option into redeemable preference shares of NCLC. Upon exchange, the preference shares will be immediately and automatically exchanged, for each $1,000 principal amount of exchanged Private Exchangeable Notes, into a number of our ordinary shares equal to the exchange rate. The exchange rate will initially set based on an implied initial exchange price per ordinary share representing a premium to the price per ordinary share being issued in this offering of ordinary shares, subject to future adjustment. Upon the occurrence of a “fundamental change,” which term includes certain change of control transactions, NCLC must offer to repurchase the Private Exchangeable Notes at a price equal to 100% of the accreted principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but not including, the date of repurchase. In addition, if certain corporate events occur prior to the maturity date or if NCLC delivers a notice of tax redemption, NCLC will, in certain circumstances, increase the exchange rate for a holder who elects to exchange its Private Exchangeable Notes in connection with such corporate event or notice of a tax redemption, as the case may be. NCLC also has the right to redeem all or a portion of the notes at any time after the third anniversary of the issuance date at a price equal to 100% of the accreted principal amount thereof if the market closing price of the ordinary shares has been at least 250% of the per share price implied by the exchange rate then in effect for at least 20 trading days during any 30 consecutive trading day period.

Litigation

On March 12, 2020, a class action complaint, Eric Douglas v. Norwegian Cruise Lines, Frank J. Del Rio and Mark A. Kempa, Case No. 1:20-CV-21107 (“Douglas Class Action”), was filed in the United States District Court for the Southern District of Florida, naming the Company, Frank J. Del Rio, the Company’s President and Chief Executive Officer, and Mark A. Kempa, the Company’s Executive Vice President and Chief Financial Officer, as defendants. Subsequently, two similar class action complaints were also filed in the United States District Court for the Southern District of Florida naming the same defendants. These complaints assert claims, purportedly brought on behalf of a class of shareholders, under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, and allege that the Company made false and misleading statements to the market and customers about COVID-19 and the impact on its business. Each of the complaints seek unspecified damages and an award of costs and expenses, including reasonable attorneys’ fees, on behalf of a purported class of purchasers of our ordinary shares between February 20, 2020 and either March 11, 2020 or March 12, 2020. We believe that the allegations contained in the complaints are without merit and intend to defend the complaints vigorously. We cannot predict at this point the length of time that these actions will be ongoing or the liability, if any, which may arise therefrom.

In addition, in March 2020 the Florida Attorney General announced an investigation related to the Company’s marketing during the COVID-19 outbreak. Following the announcement of the investigation by the Florida Attorney General, we received notifications from other attorneys general and governmental agencies that they are conducting similar investigations. The Company is cooperating with these ongoing investigations, the outcomes of which cannot be predicted at this time.

On August 27, 2019, two lawsuits were filed against Norwegian Cruise Line Holdings Ltd. in the United States District Court for the Southern District of Florida under Title III of the Cuban Liberty and Solidarity (Libertad) Act of 1996, also known as the Helms-Burton Act. The complaint filed by Havana Docks Corporation alleges it holds an interest in the Havana Cruise Port Terminal and the complaint filed by Javier Garcia-Bengochea alleges that he holds an interest in the Port of Santiago, Cuba, both of which were expropriated by the Cuban Government. The complaints further allege that the Company “trafficked” in those properties by embarking and disembarking passengers at these facilities. The plaintiffs seek all available statutory remedies, including the value of the expropriated property, plus interest, treble damages, attorneys’ fees and costs. On January 7, 2020, the United States District Court for the Southern District of Florida dismissed the claim by Havana Docks Corporation. On April 14, 2020, the district court granted Havana Docks Corporation’s motion to reconsider and vacated its order dismissing the claim, allowing Havana Docks Corporation to file an amended complaint on April 16, 2020. On April 24, 2020, we filed a motion seeking permission to appeal the district court’s order. We believe we have meritorious defenses to the claims and intend to vigorously defend these matters.