

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

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2020

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-35784

**NORWEGIAN CRUISE LINE HOLDINGS LTD.**

(Exact name of registrant as specified in its charter)

Bermuda  
(State or other jurisdiction of  
incorporation or organization)

98-0691007  
(I.R.S. Employer  
Identification No.)

7665 Corporate Center Drive, Miami, Florida 33126  
(Address of principal executive offices) (zip code)

(305) 436-4000

(Registrant's telephone number, including area code)

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

**Securities registered pursuant to Section 12(g) of the Act: None**

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

As of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of voting stock held by non-affiliates of the registrant based upon the closing sales price for the registrant's ordinary shares as reported on The New York Stock Exchange was \$4.2 billion.

There were 315,741,941 ordinary shares outstanding as of February 16, 2021.

**Documents Incorporated by Reference**

Portions of the Proxy Statement for the registrant's 2021 Annual General Meeting of Shareholders, to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2020, are incorporated by reference in Part III herein.

NORWEGIAN CRUISE LINE HOLDINGS LTD.

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### Terms Used in this Annual Report

Unless otherwise indicated or the context otherwise requires, references in this annual report to (i) the “Company,” “we,” “our” and “us” refer to NCLH (as defined below) and its subsidiaries, (ii) “NCLC” refers to NCL Corporation Ltd., (iii) “NCLH” refers to Norwegian Cruise Line Holdings Ltd., (iv) “Norwegian Cruise Line” or “Norwegian” refers to the Norwegian Cruise Line brand and its predecessors, and (v) “Prestige” refers to Prestige Cruises International S. de R.L. (formerly Prestige Cruises International, Inc.), together with its consolidated subsidiaries, including Oceania Cruises S. de R.L. (formerly Oceania Cruises, Inc.) (“Oceania Cruises”) and Seven Seas Cruises S. de R.L. (“Regent”) (Oceania Cruises also refers to the brand by the same name and Regent also refers to the brand Regent Seven Seas Cruises).

References to the “U.S.” are to the United States of America, and “dollars” or “\$” are to U.S. dollars, the “U.K.” are to the United Kingdom, “British Pound Sterling” or “£” are to the official currency of the U.K. and “euros” or “€” are to the official currency of the Eurozone.

This annual report includes certain non-GAAP financial measures, such as Net Cruise Cost, Adjusted Net Cruise Cost Excluding Fuel, Adjusted EBITDA, Adjusted Net Income and Adjusted EPS. Definitions of these non-GAAP financial measures are included below. For further information about our non-GAAP financial measures including detailed adjustments made in calculating our non-GAAP financial measures and a reconciliation to the most directly comparable GAAP financial measure, we refer you to “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Unless otherwise indicated in this annual report, the following terms have the meanings set forth below:

- *2024 Senior Secured Notes.* On May 14, 2020, pursuant to an indenture among NCLC, as issuer, the guarantors party thereto, and U.S. Bank National Association, as trustee and security agent, NCLC issued \$675.0 million aggregate principal amount of 12.25% senior secured notes due 2024.
- *Acquisition of Prestige.* In November 2014, we acquired Prestige in a cash and stock transaction for total consideration of \$3.025 billion, including the assumption of debt.
- *Adjusted EBITDA.* EBITDA adjusted for other income (expense), net and other supplemental adjustments.
- *Adjusted EPS.* Adjusted Net Income (Loss) divided by the number of diluted weighted-average shares outstanding.
- *Adjusted Net Cruise Cost Excluding Fuel.* Net Cruise Cost Excluding Fuel adjusted for supplemental adjustments.
- *Adjusted Net Income (Loss).* Net income (loss) adjusted for supplemental adjustments.
- *Allura Class Ships.* Oceania Cruises’ two ships on order.
- *Berths.* Double occupancy capacity per cabin (single occupancy per studio cabin) even though many cabins can accommodate three or more passengers.
- *Breakaway Class Ships.* Norwegian Breakaway and Norwegian Getaway.
- *Breakaway Plus Class Ships.* Norwegian Escape, Norwegian Joy, Norwegian Bliss and Norwegian Encore.
- *Capacity Days.* Available Berths multiplied by the number of cruise days for the period.

- *Constant Currency*. A calculation whereby foreign currency-denominated revenue and expenses in a period are converted at the U.S. dollar exchange rate of a comparable period to eliminate the effects of foreign exchange fluctuations.
- *Dry-dock*. A process whereby a ship is positioned in a large basin where all of the fresh/sea water is pumped out in order to carry out cleaning and repairs of those parts of a ship which are below the water line.
- *EBITDA*. Earnings before interest, taxes, and depreciation and amortization.
- *Epic Credit Facility*. The Credit Agreement, dated as of March 5, 2020 (as amended by the Incremental Assumption Agreement, dated as of April 30, 2020), among NCLC, Norwegian Epic, Ltd., as borrower, JPMorgan Chase Bank, N.A., as administrative agent and as collateral agent, and certain other lenders party thereto, providing for a \$675.0 million senior secured revolving credit facility.
- *EPS*. Earnings (loss) per share.
- *Explorer Class Ships*. Regent's Seven Seas Explorer, Seven Seas Splendor, and an additional ship on order.
- *GAAP*. Generally accepted accounting principles in the U.S.
- *Gross Cruise Cost*. The sum of total cruise operating expense and marketing, general and administrative expense.
- *Gross Tons*. A unit of enclosed passenger space on a cruise ship, such that one gross ton equals 100 cubic feet or 2.831 cubic meters.
- *IMO*. International Maritime Organization, a United Nations agency that sets international standards for shipping.
- *IPO*. The initial public offering of 27,058,824 ordinary shares, par value \$0.001 per share, of NCLH, which was consummated on January 24, 2013.
- *Jewel Credit Facility*. The Credit Agreement, dated as of May 15, 2019 (as amended by Amendment No. 1 to the Credit Agreement, dated as of May 1, 2020, and as further amended by Amendment No. 2 to the Credit Agreement dated as of January 29, 2021), among NCLC, as borrower, the lenders party thereto, Bank of America, N.A., as administrative agent and collateral agent, Bank of America, N.A., Truist Bank (formerly known as Branch Banking and Trust Company), Fifth Third Bank and Mizuho Bank, Ltd., as joint bookrunners and arrangers, and Bank of America, N.A., Truist Bank (formerly known as Branch Banking and Trust Company), Fifth Third Bank and Mizuho Bank, Ltd., as co-documentation agents, providing for a \$260.0 million senior secured credit facility.
- *Net Cruise Cost*. Gross Cruise Cost less commissions, transportation and other expense and onboard and other expense.
- *Net Cruise Cost Excluding Fuel*. Net Cruise Cost less fuel expense.
- *Occupancy Percentage*. The ratio of Passenger Cruise Days to Capacity Days. A percentage greater than 100% indicates that three or more passengers occupied some cabins.
- *Passenger Cruise Days*. The number of passengers carried for the period, multiplied by the number of days in their respective cruises.

- *Pride of America Credit Facility.* The Credit Agreement, dated as of January 10, 2019 (as amended by Amendment No. 1 to the Credit Agreement, dated as of April 28, 2020, and as further amended by Amendment No. 2 to the Credit Agreement, dated as of January 29, 2021), among NCLC, as borrower, the lenders party thereto, Nordea Bank Abp, New York Branch, as administrative agent and collateral agent, and Nordea Bank Abp, New York Branch, Mizuho Bank, Ltd., MUFG Bank, Ltd., and Skandinaviska Enskilda Banken AB (Publ), as joint bookrunners, arrangers and co-documentation agents, providing for a \$230.0 million senior secured credit facility.
- *Project Leonardo.* The next generation of ships for our Norwegian brand.
- *Revolving Loan Facility.* \$875.0 million senior secured revolving credit facility.
- *SEC.* U.S. Securities and Exchange Commission.
- *Secondary Equity Offering(s).* Secondary public offering(s) of NCLH's ordinary shares in December 2018, March 2018, November 2017, August 2017, December 2015, August 2015, May 2015, March 2015, March 2014, December 2013 and August 2013.
- *Senior Secured Credit Facility.* The Credit Agreement, originally dated as of May 24, 2013, as amended and restated on October 31, 2014, June 6, 2016, October 10, 2017, January 2, 2019 and May 8, 2020, and as further amended on January 29, 2021, by and among NCLC and Voyager Vessel Company, LLC, as co-borrowers, JPMorgan Chase Bank, N.A., as administrative agent and as collateral agent, and various lenders and agents, providing for a senior secured credit facility consisting of (i) the Revolving Loan Facility and (ii) the Term Loan A Facility.
- *Shipboard Retirement Plan.* An unfunded defined benefit pension plan for certain crew members which computes benefits based on years of service, subject to certain requirements.
- *Term Loan A Facility.* The senior secured term loan A facility having an outstanding principal amount of approximately \$1.5 billion as of December 31, 2020.

### Cautionary Statement Concerning Forward-Looking Statements

Some of the statements, estimates or projections contained in this annual 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 annual 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 novel coronavirus (“COVID-19”) pandemic, our expectations regarding the resumption of cruise voyages and the timing for such resumption of cruise voyages, the implementation of and effectiveness of our health and safety protocols, 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:

- the spread of epidemics, pandemics and viral outbreaks and specifically, the COVID-19 pandemic, 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 comply with the U.S. Centers for Disease Control and Prevention (“CDC”) Framework for Conditional Sailing Order (the “Conditional Order”) and any additional or future regulatory restrictions on our operations and to otherwise develop enhanced health and safety protocols to adapt to the pandemic’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;
- our ability to work with lenders and others or otherwise pursue options to defer, renegotiate 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;
- our future need for additional financing, which may not be available on favorable terms, or at all, and may be dilutive to existing shareholders;
- 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;
- the accuracy of any appraisals of our assets as a result of the impact of COVID-19 or otherwise;
- 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;
- the unavailability of ports of call;
- future increases in the price of, or major changes or reduction in, commercial airline services;
- 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;
- any further impairment of our trademarks, trade names or goodwill;
- 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;
- overcapacity in key markets or globally;
- our expansion into and investments in new markets;
- our inability to obtain adequate insurance coverage;
- 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;
- 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.”

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 pandemic. 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 contained herein 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.



## PART I

### Item 1. Business

#### History and Development of the Company

Norwegian commenced operations from Miami in 1966, launching the modern cruise industry by offering weekly departures from Miami to the Caribbean. In February 2011, NCLH, a Bermuda limited company, was formed. In January 2013, NCLH completed its IPO and the ordinary shares of NCLC 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. In November 2014, we completed the Acquisition of Prestige.

#### Additional Information

Our registered offices are located at Walkers Corporate (Bermuda) Limited, Park Place, 3rd Floor, 55 Par-la-Ville Road, Hamilton HM 11, Bermuda. Our principal executive offices are located at 7665 Corporate Center Drive, Miami, Florida 33126. Daniel S. Farkas, the Company’s Executive Vice President, General Counsel and Assistant Secretary, is our agent for service of process at our principal executive offices.

#### Our Company

##### Business Overview

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, 2020, we had 28 ships with approximately 59,150 Berths and had orders for nine additional ships to be delivered through 2027. Due to COVID-19, we have temporarily suspended global cruise voyages through May 31, 2021. We refer you to “—Impact of COVID-19” for further information.

Our brands offer itineraries to worldwide destinations including Europe, Asia, Australia, New Zealand, South America, Africa, Canada, Bermuda, Caribbean, Alaska and Hawaii. Norwegian’s U.S.-flagged ship, Pride of America, provides the industry’s only entirely inter-island itinerary in Hawaii.

All of our brands offer an assortment of features, amenities and activities, including a variety of accommodations, multiple dining venues, bars and lounges, spa, casino and retail shopping areas and numerous entertainment choices. All brands also offer a selection of shore excursions at each port of call as well as hotel packages for stays before or after a voyage.

We have nine ships on order across our portfolio of brands. For the Norwegian brand, Project Leonardo will introduce six additional ships with expected delivery dates from 2022 through 2027. For Regent Seven Seas Cruises, we have one Explorer Class Ship on order for delivery in 2023. For Oceania Cruises, we have two Allura Class Ships on order for delivery in 2023 and 2025. These additions to our fleet will increase our total Berths to approximately 83,000, which includes additional Berths we plan to add to our Project Leonardo ships, subject to certain conditions. The impacts of COVID-19 on the shipyards where our ships are under construction (or will be constructed) have resulted in some delays in expected ship deliveries, and the impacts of COVID-19 could result in additional delays in ship deliveries in the future, which may be prolonged.

##### Impact of COVID-19

Beginning on March 13, 2020, NCLH suspended all cruise voyages in response to COVID-19. This suspension has been extended through May 31, 2021. The resumption of operations will be dependent, in part, on our ability to comply with various governmental regulations, the severity and duration of the COVID-19 pandemic, the lifting of various travel restrictions and travel bans issued by various countries and communities around the world, as well as port availability.

We expect a gradual phased relaunch of our ships after the voyage suspension period, with our ships initially operating at reduced occupancy levels. Our selection of itineraries in the short-term will be predicated by port availability and the safety of the destinations we visit. We continue to work with our partners at ports as well as governmental agencies to address the impact that COVID-19 will have on future operations, including the ability to receive guests, potential capacity restrictions, and the need for physical distancing and other health guidelines that may be imposed on guests onboard the ship, in port facilities and while in the destinations we visit. Our goal is to provide a safe and healthy cruise vacation while at the same time keeping the guest experience as authentic as possible.

All three of our brands afford the ability to pre-sell tickets and onboard activities in advance with long lead times ahead of sailing; however, sales of cruises are subject to consumer discretionary spending levels and may be influenced by geopolitical events and economic conditions. As a result of COVID-19, there are severe negative impacts on consumer spending as well as our travel advisors' operations and their ability to book cruises. While booking volumes since the emergence of the COVID-19 global pandemic have remained below historical levels, there continues to be demand for future cruise vacations, despite reduced marketing investments. Refer to "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Update Regarding COVID-19 Pandemic" for additional information.

### **Strategy for COVID-19**

The Company has taken several actions in response to the impact on our business brought on by the COVID-19 pandemic.

#### ***Swift Execution of Financial Action Plan***

Since March 2020, we launched a series of capital markets transactions to bolster our financial position during the voyage suspension period, which in aggregate raised approximately \$5.6 billion. We have also taken several additional measures to improve our liquidity through deferring certain ship milestone payments, deferring certain debt amortization payments and extending certain maturities under our debt agreements, including under our agreements with export credit agencies ("ECAs") and related governments. We have also undertaken several proactive cost reduction and cash conservation measures to mitigate the financial and operational impacts of COVID-19, through the reduction of capital expenditures as well as reductions in operating expenses, including ship operating expenses and selling, general and administrative expenses. Refer to "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" for more detail regarding our COVID-19 financial action plan.

#### ***Addressed Significant Operational Challenges***

In response to the COVID-19 pandemic, for the first time in the Company's history, we implemented a voluntary suspension of global cruise voyages. All passengers were disembarked from the 28 ships in the Company's fleet by March 28, 2020.

After our voluntary suspension of sailings, we successfully completed the safe repatriation of our shipboard team members to their home countries around the globe. We have repatriated shipboard team members to over 120 countries through a combination of chartered and commercial air flights as well as the use of certain of our ships. In anticipation of a resumption of sailings following the Conditional Order and the amount of time expected to recruit, train and transport crew, we had begun the process of re-staffing a limited number of our vessels. However, as a result of the resurgence of COVID-19 around the globe, the continued lack of port availability and permission to sail in the destinations we normally serve, along with other factors which make the timing of the resumption of cruise operations uncertain, a portion of those crew members will be repatriated in the near term.

#### ***Roadmap to Relaunch***

We have developed a comprehensive and multi-faceted health and safety strategy to enhance our already rigorous protocols and address the unique public health challenges posed by COVID-19. In July 2020, we announced a collaboration with Royal Caribbean Group to form a group of experts called the "Healthy Sail Panel" to guide the

industry in the development of new and enhanced cruise health and safety standards. The panel is co-chaired by Dr. Scott Gottlieb, former commissioner of the U.S. Food and Drug Administration, and Governor Mike Leavitt, former Secretary of the U.S. Department of Health and Human Services, and consists of globally recognized experts from various disciplines, including public health, infectious disease, biosecurity, hospitality and maritime operations. On September 21, 2020, the expert panel published a report, which included 74 detailed best practices across five key areas of focus to protect the public health and safety of guests, crew and the communities where our cruise ships visit. The panel also submitted its recommendations to the CDC, in response to a CDC request for public comment to inform future public health guidance and preventative measures relating to travel on cruise ships. The panel's recommendations are informing new detailed health and safety protocols for our return-to-service plan. The Company continues to work with its expert advisors, the Healthy Sail Panel, and global public health authorities and government agencies to refine its comprehensive and multi-layered health and safety strategy to enhance its already rigorous health and safety standards in response to COVID-19.

On October 30, 2020, the CDC issued a Conditional Order that introduced a phased approach for the resumption of passenger cruises. These phases include: a) the establishment of laboratory testing of crew onboard cruise ships in U.S. waters; b) simulated voyages designed to test a cruise ship operator's ability to mitigate COVID-19 on cruise ships; c) a certification process; and d) a return to passenger voyages in a manner that mitigates the risk of COVID-19 introduction, transmission or spread among passenger and crew onboard ships and ashore to communities. The Conditional Order replaced the CDC's No Sail Order that expired on October 31, 2020 and will remain in effect until the earlier of a) the expiration of the Secretary of Health and Human Services' declaration that COVID-19 constitutes a public health emergency, b) the CDC Director's rescission or modification of the Conditional Order based on specific public health or other considerations, or c) November 1, 2021. Additionally, pursuant to the Conditional Order, the CDC may issue additional requirements through technical instructions or orders as needed and the phases described above may be subject to change based on public health considerations, including the trajectory of the pandemic and the ability of cruise ship operators to successfully employ measures that mitigate the risk of COVID-19. Significant uncertainties remain regarding specific requirements of the Conditional Order including pending technical instructions from the CDC. We continue to work through the requirements of the Conditional Order and work with the CDC and other federal agencies, public health authorities and national and local governments in areas where we operate to take all necessary measures to protect our guests, crew and the communities visited once operations resume. We have begun the planning process to implement some of these recommendations, including purchasing related equipment and supplies.

We expect a gradual phased relaunch of our ships after the voyage suspension period, with our ships initially operating at reduced occupancy levels. The timing for returning our ships to service and the percentage of our fleet in service will depend on a number of factors including, but not limited to, the duration and extent of the COVID-19 pandemic, including further resurgences and new variants of COVID-19, the availability, distribution and efficacy of vaccines and therapeutics for COVID-19, our ability to comply with the Conditional Order, port availability, travel restrictions, bans and advisories and our ability to re-staff our ships and implement new enhanced health and safety protocols.

**Our Fleet**

The following table presents information about our ships and their primary areas of operation based on current and future itineraries, which are subject to change.

<b>Ship (1)</b>	<b>Year Built</b>	<b>Primary Areas of Operation</b>
<b>Norwegian</b>		
Project Leonardo 1 (2)	2022	The Bahamas, Bermuda, Canada & New England, Caribbean, Europe
Norwegian Encore	2019	Alaska, Caribbean, Central America
Norwegian Bliss	2018	Alaska, The Bahamas, Bermuda, Caribbean, Mexico-Pacific
Norwegian Joy	2017	Alaska, Bermuda, Canada & New England, Caribbean, Central America, Mexico-Pacific
Norwegian Escape	2015	Bermuda, Canada & New England, Caribbean, Europe
Norwegian Getaway	2014	The Bahamas, Bermuda, Caribbean, Europe
Norwegian Breakaway	2013	Bermuda, Canada & New England, Caribbean, Europe
Norwegian Epic	2010	Caribbean, Europe
Norwegian Gem	2007	The Bahamas, Bermuda, Canada & New England, Caribbean, Europe, Mexico-Pacific
Norwegian Jade	2006	Africa, Asia, Caribbean, Europe
Norwegian Pearl	2006	The Bahamas, Bermuda, Canada & New England, Caribbean, Europe
Norwegian Jewel	2005	Alaska, Australia & New Zealand, Central America, Hawaii, Mexico-Pacific, South Pacific
Pride of America	2005	Hawaii
Norwegian Dawn	2002	The Bahamas, Caribbean, Europe
Norwegian Star	2001	Antarctica, Europe, South America
Norwegian Sun	2001	Alaska, Asia, The Bahamas, Caribbean, Central America
Norwegian Sky	1999	The Bahamas, Caribbean
Norwegian Spirit	1998	Africa, Alaska, Asia, Australia & New Zealand, Europe, Hawaii
<b>Oceania Cruises</b>		
Oceania Riviera	2012	Caribbean, Europe
Oceania Marina	2011	Central America, Europe, South America
Oceania Nautica	2000	Africa, Asia, Europe
Oceania Sirena	1999	Africa, Asia, Caribbean, Europe
Oceania Regatta	1998	Alaska, Asia, Australia & New Zealand, South Pacific
Oceania Insignia	1998	Africa, Alaska, Asia, Bermuda, Canada & New England, Caribbean, Europe, Hawaii, Mexico-Pacific, South America, South Pacific
<b>Regent</b>		
Seven Seas Splendor	2020	Caribbean, Central America, Europe
Seven Seas Explorer	2016	Alaska, Asia, Australia & New Zealand, Caribbean, Europe
Seven Seas Voyager	2003	Africa, Asia, Australia & New Zealand, Europe, South America
Seven Seas Mariner	2001	Alaska, Asia, Australia & New Zealand, Caribbean, Europe, South America
Seven Seas Navigator	1999	Australia & New Zealand, Canada & New England, Caribbean, Central America, Europe, Hawaii, South America, South Pacific

- (1) The table above does not include the additional eight ships on order.  
 (2) The first of the Project Leonardo ships, which is expected to be delivered in the summer of 2022.

**Our Mission, Competitive Strengths & Business Strategies**

Our core mission is to provide exceptional vacation experiences delivered by passionate team members committed to world-class hospitality and innovation. We believe that the following business strengths support our overall strategy to

deliver on our mission. While the COVID-19 pandemic has impacted our competitive strengths, our core mission remains intact.

***Enhanced Product Offering and Guest Experience***

Our portfolio of ships is comprised of a young and enhanced 28-vessel fleet. We have invested in revitalizations to our ships, which provides an enhanced product offering that we believe delivers higher guest satisfaction and, in turn, higher pricing.

Norwegian's ships offer up to 28 dining options, a diverse range of accommodations and what we believe is the widest array of entertainment at sea. Oceania Cruises' award-winning onboard dining, with multiple open seating dining venues, is a central highlight of its cruise experience. Regent's all-inclusive offering includes air transportation, shore excursions, pre-cruise hotel stays (for concierge level and above), specialty restaurants, premium spirits and fine wines, gratuities, Wi-Fi and other amenities. Historically, we have continually looked for ways to enhance our already strong product offering and onboard guest experience across our three brands and in the destinations we visit. We have done so through ship refurbishments, enhancements to dining and entertainment offerings, expansion of immersive shore excursion offerings and more. In the current environment, we are focused on enhancing health and safety practices for our guests.

The Norwegian, Oceania Cruises and Regent brands all offer a high level of onboard service. We collaborate amongst the brands to provide an enhanced guest experience. Norwegian offers guests the freedom and flexibility to design their ideal cruise vacation on their schedule with no set dining times, a variety of entertainment options and no formal dress codes. Oceania Cruises and Regent are known for their quality of service, including some of the highest crew-to-guest ratios in the industry and a staff trained to deliver personalized and attentive service. Upon our return to service, social distancing or other guidelines may impact the guest experience.

***Rich Stateroom Mix***

The Norwegian, Oceania Cruises and Regent fleets offer an attractive mix of staterooms, suites and villas. Norwegian's suites range from two-bedroom family suites to penthouses and owner suites, as well as three-bedroom Garden Villas measuring up to 6,694 square feet. In addition, 11 of Norwegian's ships offer The Haven, a key-card access enclave on the upper decks with luxurious suite accommodations, exclusive amenities, and 24/7 butler and concierge service. The Haven suites surround a private courtyard with pool, hot tubs, sundeck, fitness center and steam rooms. On board Norwegian Epic, the Breakaway Class Ships and the Breakaway Plus Class Ships, The Haven also includes a private lounge and fine dining restaurant. Norwegian's accommodations also include the groundbreaking Studio staterooms designed for solo travelers centered around the Studio Lounge, a private lounge area solely for Studio guests, as well as ocean views, balconies and connecting accommodations to meet the needs of all types of cruisers.

The spacious and elegant accommodations on Oceania Cruises' six award-winning ships, the 684-Berth Regatta, Insignia, Sirena and Nautica, and the 1,250-Berth Marina and Riviera, range from 143-square foot inside staterooms to opulent 2,030-square foot owner suites. The Regent fleet is comprised of five ships. Seven Seas Voyager, Seven Seas Mariner, Seven Seas Explorer and Seven Seas Splendor feature all-suite, all-balcony accommodations, and a majority of the accommodations on Seven Seas Navigator include balconies. The two newest ships in the Regent fleet, Seven Seas Splendor and Seven Seas Explorer, also feature the Regent Suite, a 4,443 square-foot luxurious suite accommodation that includes an in-suite spa retreat, a 1,300 square-foot wraparound veranda, and a glass-enclosed solarium sitting area.

***Itinerary Optimization & Premium Itinerary Mix***

We manage our ships' deployments to promote a better breadth of itineraries, sell cruises further in advance and maximize profitability. We offer a diverse selection of premium itineraries which we continually look to enhance. Our fleet has a worldwide deployment, offering voyages ranging from three days to a 180-day around-the-world cruise. Our vessels call on ports in Scandinavia, Russia, the Mediterranean, the Greek Isles, Alaska, Canada and New England, Asia, Tahiti and the South Pacific, Australia and New Zealand, Africa, India, South America, the Panama Canal and the Caribbean. Our destination management team reviews deployments across the fleet, either repositioning ships to new

destinations or fine-tuning itineraries, with the goal of diversifying our deployment and creating product scarcity which, in turn, leads to higher pricing.

We are also focused on destination development and have created two private destinations to enhance the shore experience for our guests. We were the first cruise line to develop a private island, Great Stirrup Cay in the Bahamas. This private destination is the Company's 270-acre private island featuring over 1,500 feet of accessible beachfront with white sand beaches; over 50 cabana and villa options; an array of shore excursions including a new over water zipline experience that extends nearly 3,000 feet in length; and on-island food and beverage offerings. In 2019, we launched Silver Cove, the latest enhancement designed to elevate the guest experience. This new exclusive oceanfront lagoon area includes private beachfront villas, a Mandara Spa with beachfront treatments as well as the exclusive Moët & Chandon Bar and upscale Silver Cove Restaurant and Bar. The 38 luxury air-conditioned villas range from studios to larger one-and-two-bedroom villas, all of which include private bathroom, daybed, club chairs, televisions with on-demand entertainment, outdoor patio and lounge seating, retractable glass walls providing unobstructed views and access to the private beachfront lagoon. In 2016, we introduced Harvest Caye, the Company's private resort-style destination in Southern Belize. The 75-acre destination features Belize's only cruise ship pier, an expansive seven-acre white sand beach, 15,000 sq. ft. pool with swim up bar, multiple dining options and a nature center with wildlife experiences plus adventure tours.

#### ***Disciplined Fleet Expansion***

For the Norwegian brand, Project Leonardo will introduce six additional ships, each ranging from approximately 140,000 to 156,300 Gross Tons with approximately 3,300 to 3,550 Berths, with expected delivery dates from 2022 through 2027. For the Regent brand, we have one Explorer Class Ship on order to be delivered in 2023, which will be approximately 55,000 Gross Tons and 750 Berths. For the Oceania Cruises brand, we have orders for two Allura Class Ships to be delivered in 2023 and 2025. Each of the Allura Class Ships will be approximately 67,000 Gross Tons and 1,200 Berths. The impacts of COVID-19 on the shipyards where our ships are under construction (or will be constructed) have resulted in some delays in expected ship deliveries, and the impacts of COVID-19 could result in additional delays in ship deliveries in the future, which may be prolonged.

We believe these new ships will allow us to continue expanding the reach of our brands, positioning us for accelerated growth and providing an optimized return on invested capital. We have obtained export credit financing which is expected to fund approximately 80% of the contract price of each ship expected to be delivered through 2027, subject to certain conditions.

#### ***Go-to-Market and Bundling Strategy***

Our revenue management function performs extensive analyses in order to determine booking history and uses trends by sailing, stateroom category, travel partner, market segment, itinerary and distribution channel in order to optimize cruise ticket revenue. The Norwegian brand offers guests the choice of a more inclusive, value-add product offering on certain sailings and in certain stateroom selections by allowing guests to choose from multiple amenities. Our market-to-fill strategy maintains pricing integrity by offering both the best price early in the booking cycle and value-added promotions when necessary to reduce the need to compromise on price. This marketing strategy assists in maximizing the revenue potential from each customer contact generated. We believe these strategies and other initiatives executed by our distribution channels will drive sustainable growth in the number of guests carried and in revenues achieved.

We also seek to increase demand through effective marketing campaigns across various channels such as branding campaigns on nationwide television, robust and varied digital campaigns or targeted mail campaigns aimed at supporting seasonal deployments. Our sales forces are also drivers of demand, particularly in terms of educating travel advisors on our products and services in order to better sell to potential vacationers.

#### ***Casino Player Strategy***

We have non-exclusive arrangements with casino partners worldwide whereby loyal gaming guests are offered cruise reward certificates redeemable for cruises. Through property sponsored events and joint marketing programs, we have

the opportunity to market cruises to these guests. These arrangements with casino partners have the dual benefit of filling open inventory and reaching guests expected to generate above average onboard revenue through the casino and other onboard spending.

### ***Strengthening Our Global Footprint***

Our international efforts are aimed at strengthening our global footprint by increasing brand awareness across the globe which allows us to diversify our guest sourcing. We maintain numerous sales offices which support sales and marketing efforts in various markets outside of North America including the United Kingdom, Europe, Hong Kong, Australia, New Zealand, Brazil, India, Japan and Singapore.

### ***Cost Containment Initiatives***

We have a flat organizational structure which results in efficient operations with better and faster sharing of best practices. We continue to leverage the combined purchasing power of our three brands to further reduce costs throughout the organization. This initiative is bolstered by our Supply Chain and Logistics Management function which supports our three brands as well as our corporate and international offices.

Our new ships are designed to enhance energy efficiency and we have several initiatives in place to improve efficiency on our existing fleet including LED lighting upgrades, waste heat recovery, new hull coatings and itinerary optimization.

We also continue to enhance and expand our use of digital marketing and social media to drive further cost efficiencies.

Refer to “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for information on our current cash conservation measures.

### ***Expand and Strengthen Our Product Distribution Channels***

As part of our growth strategy, we continually look for ways to deepen and expand our sales channels.

We have strategic relationships with travel advisors and tour operators who commit to purchasing a certain level of inventory with long lead times. The retail/travel advisor channel represents the majority of our ticket sales. Our travel partner base is comprised of an extensive network of independent travel advisors worldwide. We have made substantial investments with improvements in booking technologies, transparent pricing strategies, effective marketing tools, improved communication and cooperative marketing initiatives to enhance and facilitate the ability of travel advisors to market and sell our products. We have sales teams who work closely with our travel advisor partners on maximizing their marketing and sales effectiveness across all three of our brands. Our focused account management is designed to create solutions catered to the individual retailer through product and sales training. This education creates a deeper understanding of all our product offerings. In 2020, we continued to support our travel advisors by protecting earned commissions on original, fully paid bookings that were canceled due to suspended voyages as a result of COVID-19.

We have invested in our brands by enhancing websites, mobile applications and passenger services departments including our personal cruise consultants, who offer personalized service throughout the process of designing cruise vacations for our guests. We have also enhanced our capabilities to enable guests to customize their vacation experience with certain onboard product offerings. When sailing resumes, we will utilize our onboard cruise sales channel where guests can book their next cruise or purchase cruise certificates to apply to their next cruise while vacationing on our ships.

Our meetings, incentives and charters channel focuses on full ship charters as well as corporate meetings and incentive travel. These sales often have very long lead times and can fill a significant portion of the ship’s capacity, or even an entire sailing, in one transaction. Sixthman, a subsidiary company specializing in developing and delivering music-oriented charters, provides a market that enables travel advisors to sell high-quality music experiences at sea to guests.

### ***Marketing Strategy***

We significantly reduced our marketing activities in 2020 due to the suspension of cruise voyages as a result of the COVID-19 pandemic. When timing is determined for relaunch, we expect a disciplined increase in sales and marketing activities to further drive demand. Additionally, we will continue a deliberate approach on marketing and sales outreach to guests with future cruise credits, as a result of suspended sailings, to encourage redemption of cruise credits towards future sailings.

Building customer loyalty among our past guests is an important element of our marketing strategy. Past guests create a cost-effective means of attracting business, particularly to our new ships and itineraries as they are familiar with our brands, products and services and often return to cruise with us. We will continue to optimize our customer databases and targeting capabilities to further enhance our communications with our past guests who receive e-mail, direct mail and brochures with informative destination and product information and promotional amenities. Our marketing mix includes a balance of initiatives that both allow us to build our brand awareness to attract new-to-brand customers, while also focusing on more targeted marketing communications aimed at retaining our current guest base. Continued investments in our websites will be key not only to driving interest and bookings, but also to ensuring the optimal pre-cruise planning experience offering guests the ability to shop, reserve and purchase a breadth of onboard products and services. We have a strong communications stream that provides customized pre-cruise information to help guests maximize their cruise experience as well as a series of communications to welcome them home post cruise to engage them in booking their next cruise vacation.

Our marketing teams work to enhance brand awareness and consideration of our products and services among consumers and travel partners with the ultimate goal of driving sales. We utilize a multi-channel strategy that may include a combination of print, television, radio, website/e-commerce, direct mail, social media, mobile and e-mail campaigns, partnerships, customer loyalty initiatives, market research, consumer events and business-to-business events. We continue to enhance and expand our use of digital marketing and social media to drive cost efficiencies.

Travel advisors are crucial to our marketing and distribution efforts. We provide robust marketing support and enhanced tools for our travel advisor partners through a variety of programs. Our travel partners can benefit from our online travel partner education programs that include a wide variety of courses about our ships, itineraries and other best-selling practices. Advisors can also easily customize a multitude of consumer marketing materials for their use in promoting our products through our online platforms.

Guest feedback is also a critically important element in the development of our overall marketing and business strategies. We regularly initiate guest feedback studies among both travel partners and consumers to assess the impact of various programs and/or to solicit information that helps shape future direction.

### ***Our Commitment to Sustainability***

The continued success of our business is linked to our ability to operate and grow sustainably. We are committed to driving a positive impact on society and the environment through our Sail & Sustain global sustainability program. Our mission is to continually improve our sustainability culture through fresh innovation, progressive education and open collaboration. We are committed to maintaining our culture of diversity, equality and inclusion in the workplace. We also drive social impact through our philanthropy initiatives, partnerships and community engagement program in our local communities and at the destinations we visit. For additional information regarding our sustainability and stewardship initiatives, please visit our website at [www.nclhld.com](http://www.nclhld.com).

### ***Highly Experienced Management Team***

Our senior management team is comprised of executives with extensive experience in the cruise, travel, leisure and hospitality-related industries. Mr. Frank Del Rio is our President and Chief Executive Officer. Mr. Del Rio is an over 25-year cruise industry veteran who founded Oceania Cruises in 2002. Under his leadership, Oceania Cruises grew from a fledgling start-up to a dominant player in the upscale cruise market. He further led Oceania Cruises' acquisition of Regent Seven Seas Cruises. After NCLH acquired Prestige, Mr. Del Rio led the combined company to many milestones



including expanding its fleet with the newest and most innovative ships at sea, introducing the Company's latest private destination, Harvest Caye in Belize, and significantly strengthening its global footprint.

Mr. Mark A. Kempa, our Executive Vice President and Chief Financial Officer, has been with the Company for over twenty years holding several positions of increasing responsibility in Norwegian's finance organization, playing an instrumental role in several of the Company's key milestones, including its successful IPO and the Acquisition of Prestige.

Mr. T. Robin Lindsay, our Executive Vice President, Vessel Operations, is responsible for Marine & Technical Operations, Hotel Operations, Entertainment, Product Development, Out Islands and Newbuild and Ship Refurbishment for all three of the Company's brands. Mr. Lindsay has been with the Company for nearly two decades dating back to 2003, when he joined Oceania Cruises as Senior Vice President, Hotel Operations.

See "Information about our Executive Officers" below for more information on our highly experienced management team.

### **Passenger Ticket Revenue**

We offer our guests a wide variety 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, valet laundry services, 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.

### **Onboard and Other Revenue**

All three brands 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, shore excursions, 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. Norwegian's ticket prices typically include cruise accommodations, meals in certain dining facilities and many onboard activities such as entertainment, pool-side activities and various sports programs. To maximize onboard revenue, all three brands use various cross-marketing and promotional tools which are supported by point-of-sale systems permitting "cashless" transactions for the sale of these products and services. Oceania Cruises' ticket prices may include air transportation and certain other amenities. Regent's ticket prices typically include air transportation, unlimited shore excursions, a pre-cruise hotel night stay (for concierge level and above), premium wines and top shelf liquors, specialty restaurants, Wi-Fi, valet laundry and gratuities.

### **Seasonality**

Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire fiscal year. Historically, demand for cruises has been strongest during the Northern Hemisphere's summer months; however, our cruise voyages were completely suspended during the last nine months of 2020 due to the COVID-19 pandemic and such suspension has been extended through May 31, 2021.

### **Competition**

Our primary competition includes operators such as Carnival and Royal Caribbean as well as other cruise lines such as MSC Cruises, Crystal Cruises, Viking Ocean Cruises and Virgin Voyages. In addition, we compete with land-based vacation alternatives, such as hotels and resorts, vacation ownership properties, casinos, and tourist destinations throughout the world.

## **Ship Operations and Cruise Infrastructure**

### ***Ship Maintenance and Logistics***

Sophisticated and efficient maintenance and operations systems support the technical superiority and modern look of our fleet. In addition to routine repairs and maintenance performed on an ongoing basis and in accordance with applicable requirements, each of our ships is generally taken out of service, approximately every 24 to 60 months, for a period of one or more weeks for scheduled maintenance work, repairs and improvements performed in Dry-dock. Dry-dock interval is a statutory requirement controlled under IMO requirements reflected in chapters of the International Convention of the Safety of Life at Seas (“SOLAS”) and to some extent the International Load Lines Convention. Under these regulations, it is required that a passenger ship Dry-dock once in five years (depending on age of vessel) or twice in five years (depending on flag state and age of vessel) and the maximum interval between each Dry-dock cannot exceed three years (depending on flag state and age of vessel). However, most of our international ships qualify under a special exemption provided by the Bahamas and/or Marshall Islands (flag state), as applicable, after meeting certain criteria set forth by the ship’s flag state to Dry-dock once every five years. To the extent practical, each ship’s crew, catering and hotel staff remain with the ship during the Dry-dock period and assist in performing repair and maintenance work. Accordingly, Dry-dock work is typically performed during non-peak demand periods to minimize the adverse effect on revenue that results from ships being out of service. Dry-docks are typically scheduled in spring or autumn and depend on shipyard availability. We take this opportunity to upgrade the vessels in all areas of both guest-facing services and innovative compliance technology.

### ***Suppliers***

Our largest capital expenditures are for ship construction and acquisition. Our largest operating expenditures are for payroll and related (including our contract with a third party who provides certain crew services), fuel, food and beverage, advertising and marketing and travel advisor services. Most of the supplies that we require are available from numerous sources at competitive prices. In addition, due to the large quantities that we purchase, we can obtain favorable prices for many of our supplies. Our purchases are denominated primarily in U.S. dollars. Payment terms granted by the suppliers are generally customary terms for the cruise industry.

### ***Crew and Staff***

Best-in-class guest service levels are paramount in the markets in which we operate, where travelers have discerning tastes and high expectations for quality service. We have dedicated resources to ensure that our service offerings on all of our ships meet the demands of our guests. Among other initiatives, we have implemented rigorous onboard training programs, with a focus on career development. We believe that our dedication to anticipating and meeting our guests’ every need differentiates our operations and fosters close relationships between our guests and crew, helping to build customer loyalty.

We place the utmost importance on the safety of our guests, crew and the communities we visit. We operate all our vessels to meet and exceed the requirements of SOLAS and International Management Code for the Safe Operation of Ships and for Pollution Prevention (“ISM Code”), the international safety standards which govern the cruise industry. Crew members are trained in the Company’s stringent safety protocols, participating in regular safety trainings, exercises and drills onboard every one of our ships to familiarize themselves and become proficient with the safety equipment onboard. Prior to our return to service, our crew members will be trained on our new health and safety protocols.

Our captains and chief engineers are experienced seafarers. Our bridge and technical officers regularly undergo rigorous operations training such as leadership, navigation, stability, statutory and environmental regulatory compliance. To support our deck and engine officers while at sea, we have bridge and engine resource management protocols in place, dictating specific standard operating procedures. Our bridge teams conduct a voyage planning process prior to sailing, where the upcoming itinerary is reviewed and discussed by the captain and bridge team prior to departure and in preparation for arrival. In addition, all of our ships employ state-of-the-art navigational equipment and technology to ensure that our bridge teams have accurate data regarding the planned itinerary.

Prior to every cruise setting sail, we hold a mandatory safety drill for all guests during which important safety information is reviewed and demonstrated. We also show a safety video which runs continuously on the stateroom televisions. Our fleet is equipped with modern navigational control and fire prevention and control systems. We have developed a Safety Management System (“SMS”), which establishes policies, procedures, training, qualification, quality, compliance, audit and self-improvement standards. SMS also provides real-time reports and information to support the fleet and risk management decisions. Through these systems, our senior managers, as well as ship management, can focus on consistent, high quality operation of the fleet. Our SMS is approved and audited regularly by our classification society, Lloyds Register, and it also undergoes regular internal audits as well as periodic inspections by the U.S. Coast Guard, flag state and other port and state authorities.

Refer to “—Strategy for COVID-19” for an update on crew manning.

### ***Insurance***

We maintain insurance on the hull and machinery of our ships, which are maintained in amounts related to the estimated market value of each ship. The coverage for each of the hull and machinery policies is maintained with syndicates of insurance underwriters from the European and U.S. insurance markets.

In addition to the insurance coverage on the hull and machinery of our ships, we seek to maintain comprehensive insurance coverage and believe that our current coverage is at appropriate levels to protect against most of the accident-related risks involved in the conduct of our business. The insurance we carry includes:

- Protection and indemnity insurance (coverage for passenger, crew and third-party liabilities), including insurance against risk of pollution liabilities;
- War risk insurance, including terrorist risk insurance. The terms of our war risk policies include provisions where underwriters can give seven days’ notice to the insured that the policies will be cancelled in the event of a change of risk which is typical for policies in the marine industry. Upon any proposed cancellation the insurer shall, before expiry of the seven-day period, submit new terms; and
- Insurance for our shoreside property, cybersecurity, directors and officers, general liability risks and other insurance coverages.

Our insurance coverage, including those noted above, is subject to certain limitations, exclusions and deductible levels.

### **Trademarks and Trade Names**

Under the Norwegian brand, we own a number of registered trademarks relating to, among other things, the names “NORWEGIAN CRUISE LINE” and “FEEL FREE,” the names of our ships (except where trademark applications for these have been filed and are pending), incentive programs and specialty services rendered on our ships and specialty accommodations such as “THE HAVEN BY NORWEGIAN.” In addition, we own registered trademarks relating to the “FREESTYLE” family of names, including, “FREESTYLE CRUISING,” “FREESTYLE DINING” and “FREESTYLE VACATION.” We believe that these trademarks are widely recognized throughout North America, Europe and other areas of the world and have considerable value.

Under the Oceania Cruises brand, we own a number of registered trademarks relating to, among other things, the names “OCEANIA CRUISES” and its logo, “REGATTA,” “INSIGNIA,” and “YOUR WORLD. YOUR WAY.”

Under the Regent brand, we own registered trademarks relating to, among other things, the names “SEVEN SEAS CRUISES” and “AN UNRIVALED EXPERIENCE” as well as the names of our ships (except where trademark applications have been filed and are pending).

We also claim common law rights in trademarks and trade names used in conjunction with our ships, incentive programs, customer loyalty program and specialty services rendered onboard our ships for each of our brands. Our

material intellectual property, including trade names, as of May 14, 2020 has been pledged as collateral for the 2024 Senior Secured Notes issued by NCLC.

The Regent ships have been operating under the Regent brand since 2006. We entered into a trademark license agreement with Regent Hospitality Worldwide, Inc., which we amended in February 2011, granting us the right to use the “Regent” brand family of marks. The amended trademark license agreement allows Regent to use the Regent trade name, in conjunction with cruises, in perpetuity, subject to the terms and conditions in the agreement.

## **Regulatory Matters**

### ***Registration of Our Ships***

Nineteen of the ships that we currently operate are registered in the Bahamas. One of our ships, Pride of America, is a U.S.-flagged ship. Eight of our ships are registered in the Marshall Islands. Our ships registered in the Bahamas and the Marshall Islands are inspected at least annually pursuant to Bahamian and Marshall Islands requirements and are subject to International laws and regulations and to various U.S. federal regulatory agencies, including, but not limited to, the U.S. Public Health Service and the U.S. Coast Guard. Our U.S.-registered ship is subject to laws and regulations of the U.S. federal government, including, but not limited to, the Food and Drug Administration (“FDA”), the U.S. Coast Guard and U.S. Department of Labor. The international, national, state and local laws, regulations, treaties and other legal requirements applicable to our operations change regularly, depending on the itineraries of our ships and the ports and countries visited.

Our ships are subject to inspection by the port regulatory authorities in the various countries that they visit. Such inspections include verification of compliance with the maritime safety, security, environmental, customs, immigration, health and labor regulations applicable to each port as well as with international requirements.

### ***Economic Substance Requirements***

NCLH and NCLC are exempted companies formed under the laws of Bermuda and some of their subsidiaries have been formed in Bermuda, Guernsey, Isle of Man, British Virgin Islands, Cayman Islands or the Bahamas. In June 2018, the European Union issued a scoping paper which set out economic substance requirements that targeted international financial centers, including the jurisdictions listed above, were required to adopt before 2019 with regard to relevant entities based in those jurisdictions. Pursuant to the legislation passed in each jurisdiction, entities subject to each jurisdiction’s laws that carry out relevant activities as specified in such laws, are required to demonstrate substantial economic substance in that jurisdiction. In general terms, substantial economic substance means: (i) the entity is actually directed and managed in the jurisdiction; (ii) core income-generating activities relating to the applicable relevant activity are performed in the jurisdiction; (iii) there are adequate employees in the jurisdiction; (iv) the entity maintains adequate physical presence in the jurisdiction; and (v) there is adequate operating expenditure in the jurisdiction. We have evaluated the activities of NCLH, NCLC and their subsidiaries and have concluded that in some cases, those activities are 'relevant activities' for the purposes of the applicable economic substance laws and that, consequently, certain entities within our organization will be required to demonstrate compliance with these economic substance requirements. We may be subject to increased costs and our management team may be required to devote significant time to satisfying economic substance requirements in certain of these jurisdictions. If such entities cannot establish compliance with these requirements, we may be liable for penalties and fines in the applicable jurisdictions and/or required to re-domicile such entities to different jurisdictions.

### ***Environmental Protection***

Our ships are subject to various international, national, state and local laws and regulations relating to environmental protection, including those that govern air emissions, waste discharge, wastewater management and disposal, and use and disposal of hazardous substances such as chemicals, solvents and paints. Under such laws and regulations, we are prohibited from discharging certain materials, such as petrochemicals and plastics, into waterways, and we must adhere to various water and air quality-related requirements.

With regard to air quality requirements, the IMO convention entitled Prevention of Pollution from Ships (“MARPOL”) set a global limit on fuel sulfur content of 0.5%. Various compliance methods, such as the use of alternative fuels, or exhaust gas cleaning systems that reduce an equivalent amount of sulfur emissions, may be utilized.

MARPOL also requires stricter limitations on sulfur emissions within designated Emission Control Areas (“ECAs”), which include the Baltic Sea, the North Sea/English Channel, North American waters and the U.S. Caribbean Sea. Ships operating in these waters are required to use fuel with a sulfur content of no more than 0.1% or use approved alternative emission reduction methods. ECAs have also been established to limit emissions of oxides of nitrogen from newly built ships. Additional ECAs may also be established in the future, with areas around Norway, Japan, and the Mediterranean Sea being considered.

Ballast water discharges are governed by the MARPOL Ballast Water Management Convention, which came into force in 2017 (“The Convention”), and which governs the discharge of ballast water from ships. Ballast water, which is seawater held onboard ships and used for stabilization, may contain a variety of marine species. The Convention is designed to regulate the treatment and discharge of ballast water to avoid the transfer of marine species to new, different, or potentially unsuitable environments. Applicable vessels sailing in specific itineraries have also been upgraded with ballast water treatment systems to further prevent the spread of invasive species.

MARPOL also sets forth requirements for discharges of garbage, oil and sewage from ships, including regulations regarding the ships’ equipment and systems for the control of such discharges, and the provision of port reception facilities for sewage handling. Ships are generally prohibited from discharging sewage into the sea within a specified distance from the nearest land. Governments are required to ensure the provision of adequate reception facilities at ports and terminals for the reception of sewage, without causing delay to ships. Ships are generally required to be equipped with either approved sewage treatment plants, disinfecting systems or sewage holding tanks.

Recently adopted amendments to MARPOL will make the Baltic Sea a “Special Area” where sewage discharges from passenger ships will be prohibited unless they comply with Resolution MEPC 227(64) adopted by the Marine Environmental Protection Committee (“MEPC”) of the IMO. Stricter discharge restrictions went into effect for new passenger ships in 2019, and for existing passenger ships starting in 2021.

These requirements may impact our operations unless suitable port waste facilities are available, or new technologies for onboard waste treatment are developed. Accordingly, the cost of complying with these requirements is not determinable at this time.

In the U.S., the Clean Water Act of 1972, and other laws and regulations, provide the Environmental Protection Agency (“EPA”) and the U.S. Coast Guard with the authority to regulate commercial vessels’ incidental discharges of ballast water, bilge water, gray water, anti-fouling paints and other substances during normal operations while a vessel is in inland waters, within three nautical miles of land, and in designated federally-protected waters. The U.S. National Pollutant Discharge Elimination System (“NPDES”) program, authorized by the Clean Water Act, was established to reduce pollution within U.S. territorial waters. For our affected ships, all of the NPDES requirements are set forth in the EPA’s Vessel General Permit (“VGP”). The VGP establishes effluent limits for 26 specific discharge streams incidental to the normal operation of a vessel. In addition to these discharge- and vessel-specific requirements, the VGP includes requirements for inspections, monitoring, reporting and recordkeeping.

The Act to Prevent Pollution from Ships, which implements certain elements of MARPOL in the U.S., provides for potentially severe civil and criminal penalties related to ship-generated pollution for incidents in U.S. waters within three nautical miles of land and, in some cases, within the 200-nautical mile Exclusive Economic Zone (“EEZ”).

The Oil Pollution Act of 1990 (“OPA 90”) provides for strict liability for water pollution caused by the discharge of oil in the 200-nautical mile EEZ of the U.S., subject to defined monetary limits. OPA 90 requires that in order for us to operate in U.S. waters, we must have Certificates of Financial Responsibility (“COFR”) from the U.S. Coast Guard for each ship. Our continued OPA 90 certification signifies our ability to meet the requirements for related OPA 90 liability in the event of an oil spill or release of a hazardous substance.

Many coastal U.S. states have also enacted environmental regulations that impose strict liability for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law and, in some cases, the laws have no statutory limits of liability. Among the most stringent requirements are those set by the State of Alaska, which has enacted legislation that prohibits certain discharges in designated state waters and requires that certain discharges be monitored to verify compliance with the established standards. The legislation also provides that repeat violators of the regulations could be prohibited from operating in Alaskan waters.

The European Union (“E.U.”) has also adopted a substantial and diverse range of environmental measures aimed at maintaining or improving the quality of the environment. To support the implementation and enforcement of European environmental legislation, the E.U. has adopted directives on environmental liability and enforcement as well as a recommendation providing for minimum criteria for environmental inspections.

With regard to air emissions from seagoing ships, the E.U. requires the use of low sulfur (less than 0.1%) marine gas oil in E.U. ports. As of January 1, 2020, all non-ECA waters have a 0.5% fuel sulfur limit.

In addition to the existing legal requirements, we are committed to helping to preserve the environment, because a clean, unspoiled environment is a key element that attracts guests to our ships. Furthermore, NCL (Bahamas) Ltd. and NCL America LLC are certified under the International Organization for Standardization’s 14001 Standard. This voluntary standard sets requirements for establishment and implementation of a comprehensive environmental management system which we have adopted for our operations. Currently we operate under an Environmental Management System that is incorporated into the Company’s SMS and promote environmental awareness among our stakeholders both through our corporate global sustainability program, Sail & Sustain, and our annual Stewardship Report.

If we violate or fail to comply with environmental laws, regulations or treaties, we could be fined or otherwise sanctioned by regulators. We have made, and will continue to make, capital and other expenditures to comply with changing environmental laws, regulations and treaties. Any fines or other sanctions for violation or failure to comply with environmental requirements or any expenditures required to comply with environmental requirements could have a material adverse effect on our business, operations, cash flow or financial condition.

#### ***Permits for Glacier Bay, Alaska***

In connection with certain Alaska cruise operations, we rely on concession permits from the U.S. National Park Service to operate our ships in Glacier Bay National Park and Preserve. We currently hold a concession permit allowing for 41 calls annually through September 30, 2029.

#### ***Passenger and Crew Well-Being***

In the U.S., we must meet the U.S. Public Health Service’s requirements, which include vessel ratings by inspectors from the Vessel Sanitation Program of the CDC and the FDA. We rate at the top of the range of CDC and FDA scores achieved by the major cruise lines. In addition, the cruise industry and the U.S. Public Health Service have agreed on regulations for food, water and hygiene, aimed at proactively protecting the health of travelers and preventing illness transmission to U.S. ports.

We refer you to “—Strategy for COVID-19—Roadmap to Relaunch” for further information.

#### ***Security and Safety***

The IMO has adopted safety standards as part of the SOLAS convention, which apply to all our ships. SOLAS establishes requirements for vessel design, structural features, construction methods and materials, refurbishment standards, life-saving equipment, fire protection and detection, safe management and operation and security in order to help ensure the safety and security of our guests and crew. All our crew undergo regular security and safety training exercises that meet all international and national maritime regulations.

SOLAS requires that all cruise ships are certified as having safety procedures that comply with the requirements of the International Management Code for the Safe Operation of Ships and for Pollution Prevention (“ISM Code”). All of our ships are certified as to compliance with the ISM Code. Each such certificate is granted for a five-year period and is subject to periodic verification.

The SOLAS requirements are amended and extended by the IMO from time to time. For example, the International Port and Ship Facility Code (“ISPS Code”) was adopted by the IMO in December 2002 with the goal of strengthening maritime security by placing new requirements on governments, port authorities and shipping companies.

Amendments to SOLAS required that ships constructed in accordance with pre-1974 SOLAS requirements install automatic sprinkler systems. IMO adopted an amendment to SOLAS which requires partial bulkheads on stateroom balconies to be of non-combustible construction. The SOLAS regulation implemented Long-Range Identification and Tracking. All our ships are in compliance with the requirements of SOLAS as amended and/or as applicable to the keel-laying date.

In addition to the requirements of the ISPS Code, the U.S. Congress enacted the Maritime Transportation Security Act of 2002 (“MTSA”) which implements a number of security measures at ports in the U.S. including measures that apply to ships registered outside the U.S. while docking at ports in the U.S. The U.S. Coast Guard has published MTSA regulations that require a security plan for every ship entering the territorial waters of the U.S., provide for identification requirements for ships entering such waters and establish various procedures for the identification of crew members on such ships. The Transportation Workers Identification Credential is a U.S. requirement for accessibility into and onto U.S. ports and U.S.-flagged ships.

#### ***Maritime-Labor***

In 2006, the International Labor Organization (“ILO”), an agency of the United Nations that develops and oversees international labor standards, adopted a new Consolidated Maritime Labor Convention (“MLC 2006”). MLC 2006 contains a comprehensive set of global standards based on those that are already found in 68 maritime labor Conventions and Recommendations adopted by the ILO since 1920. MLC 2006 includes a broad range of requirements, such as a broader definition of a seafarer, minimum age of seafarers, medical certificates, recruitment practices, training, repatriation, food, recreational facilities, health and welfare, hours of work and rest, accommodations, wages and entitlements. MLC 2006 added requirements not previously in effect, in the areas of occupational safety and health. MLC 2006 became effective in certain countries commencing August 2013. The Standard of Training Certification and Watch Keeping for Seafarers, as amended (“STCW”), establishes minimum standards relating to training, certification and watch-keeping for our seafarers.

#### ***Financial Requirements***

The Federal Maritime Commission (“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.

In addition, our brands have a legal requirement to maintain security guarantees based on cruise business originated from the U.K., and certain jurisdictions require us to establish financial responsibility to meet liability in the event of non-performance of our obligations to passengers from those jurisdictions. As of December 31, 2020, we have in place approximately £39.3 million of security guarantees for our brands as well as a consumer protection policy covering up to £48.3 million. The Company has provided approximately \$30.5 million in cash to secure all the financial security guarantees required.

Compliance with these regulations has had an impact on our financial condition. 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. We cannot estimate the expenses we may incur to comply with potential new laws or changes to existing laws, or the other potential effects these laws may have on our business.

For information regarding risks associated with our compliance with legal and regulatory requirements, see Part I Item 1A-Risk Factors in this annual report on Form 10-K, including the risk factor titled “We are subject to complex laws and regulations, including environmental, health and safety, labor, data privacy and protection and maritime laws and regulations, which could adversely affect our operations and any changes in the current laws and regulations could lead to increased costs or decreased revenue.”

## **Taxation**

### **U.S. Income Taxation**

The following discussion is based upon current provisions of the Internal Revenue Code (the “Code”), U.S. Treasury regulations, administrative rulings and court decisions, all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below.

#### *Exemption of International Shipping Income under Section 883 of the Code*

Under Section 883 of the Code (“Section 883”) and the related regulations, a foreign corporation will be exempt from U.S. federal income taxation on its U.S.-source income derived from the international operation of ships (“shipping income”) if: (a) it is organized in a qualified foreign country, which is one that grants an “equivalent exemption” from tax to corporations organized in the U.S. in respect of each category of shipping income for which exemption is being claimed under Section 883; and (b) either: (1) more than 50% of the value of its stock is beneficially owned, directly or indirectly, by qualified shareholders, which includes individuals who are “residents” of a qualified foreign country; (2) one or more classes of its stock representing, in the aggregate, more than 50% of the combined voting power and value of all classes of its stock are “primarily and regularly traded on one or more established securities markets” in a qualified foreign country or in the U.S. (the “publicly traded test”); or (3) it is a “controlled foreign corporation” (a “CFC”) for more than half of the taxable year and more than 50% of its stock is owned by qualified U.S. persons for more than half of the taxable year (the “CFC test”). In addition, U.S. Treasury Regulations require a foreign corporation and certain of its direct and indirect shareholders to satisfy detailed substantiation and reporting requirements.

NCLH is incorporated in Bermuda, a qualified foreign country which grants an equivalent exemption, and NCLH meets the publicly traded test because its ordinary shares were primarily and regularly traded on the New York Stock Exchange (“NYSE”). The NYSE is considered to be an established securities market in the U.S. Therefore, we believe that NCLH qualifies for the benefits of Section 883.

We believe and have taken the position that substantially all of NCLH’s income, including the income of its ship-owning subsidiaries, is properly categorized as shipping income, and that we do not have a material amount of non-qualifying income. It is possible, however, that the IRS interpretation of shipping income could differ from ours and that a much larger percentage of our income does not qualify (or will not qualify) as shipping income. Moreover, the exemption for shipping income is only available for years in which we will satisfy complex tests under Section 883. There are factual circumstances beyond our control, including changes in the direct and indirect owners of NCLH’s ordinary shares, which could cause NCLH or its subsidiaries to lose the benefit of the exemption under Section 883. Further, any changes in our operations could significantly increase our exposure to taxation on shipping income, and we can give no assurances on this matter.

Under certain circumstances, changes in the identity, residence or holdings of NCLH’s direct or indirect shareholders could cause NCLH’s ordinary shares not to be regularly traded on an established securities market within the meaning of the regulations under Section 883. Therefore, as a precautionary matter, NCLH has provided protections in its bye-laws to reduce the risk of such changes impacting our ability to meet the publicly traded test by prohibiting any person from owning, directly, indirectly or constructively, more than 4.9% of NCLH’s ordinary shares unless such ownership is approved by NCLH’s Board of Directors (the “4.9% limit”). Any outstanding shares held in excess of the 4.9% limit will be transferred to and held in a trust.



For 2020, 2019 and 2018, both Regent and Oceania Cruises relied on NCLH's ability to meet the requirements necessary to qualify for the benefits of Section 883 as discussed above.

*Taxation of International Shipping Income Where Section 883 of the Code is Inapplicable*

Unless exempt from U.S. federal income taxation, a foreign corporation is subject to U.S. federal income tax in respect of its "shipping income" that is derived from sources within the U.S. If we fail to qualify for the exemption under Section 883 in respect of our U.S.-sourced shipping income, or if the provision was repealed, then we will be subject to taxation in the U.S. on such income.

Generally, "shipping income" is any income that is derived from the use of vessels, from the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis or from the performance of services directly related to those uses. For these purposes, shipping income attributable to transportation that begins or ends, but that does not both begin and end, in the U.S., which we refer to as "U.S.- source shipping income," will be considered to be 50% derived from sources within the U.S.

If we do not qualify for exemption under Section 883, or if the provision was repealed, then any U.S.-sourced shipping income or any other income that is considered to be effectively connected income would be subject to U.S. federal corporate income taxation on a net basis (generally at a 21% rate) and state and local taxes, and our effectively connected earnings and profits may also be subject to an additional branch profits tax of 30%, unless a lower treaty rate applies (the "Net Tax Regime"). Our U.S. source shipping income is considered effectively connected income if we have, or are considered to have, a fixed place of business in the U.S. involved in the earning of U.S. source shipping income, and substantially all of our U.S. source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the U.S.

If we do not have a fixed place of business in the U.S. or substantially all of our income is not derived from regularly scheduled transportation, the income will generally not be considered to be effectively connected income. In that case, we would be subject to a special 4% tax on our U.S. source shipping income (the "4% Tax Regime").

*Other United States Taxation*

U.S. Treasury Regulations list several items of income which are not considered to be incidental to the international operation of ships and, to the extent derived from U.S. sources, are subject to U.S. federal income taxes under the Net Tax Regime discussed above. Income items considered non-incidental to the international operation of ships include income from the sale of single-day cruises, shore excursions, air and other transportation, and pre- and post-cruise land packages. We believe that substantially all of our income currently derived from the international operation of ships is shipping income.

*Income from U.S.-flagged Operation under the NCL America*

Income derived from our U.S.-flagged operation generally will be subject to U.S. corporate income taxes both at the federal and state levels. We expect that such income will not be subject to U.S. branch profits tax nor a U.S. dividend withholding tax under the U.S.-U.K. Income Tax Treaty.

**U.K. Income Taxation**

NCLH and NCLC are tax residents of the U.K. and are subject to normal U.K. corporation tax.

**U.S. Taxation of Gain on Sale of Vessels**

Gains from the sale of vessels should generally also be exempt from tax under Section 883 provided NCLH qualifies for exemption from tax under Section 883 in respect of our shipping income. If, however, our gain does not qualify for

exemption under Section 883, or if the provision was repealed, then such gain could be subject to either the Net Tax Regime or the 4% Tax Regime.

#### **Certain State, Local and Non-U.S. Tax Matters**

We may be subject to state, local and non-U.S. income or non-income taxes in various jurisdictions, including those in which we transact business, own property or reside. We may be required to file tax returns in some or all of those jurisdictions. Our state, local or non-U.S. tax treatment may not conform to the U.S. federal income tax treatment discussed above. We may be required to pay non-U.S. taxes on dispositions of foreign property, or operations involving foreign property may give rise to non-U.S. income or other tax liabilities in amounts that could be substantial.

#### **Changes in Tax Laws**

The various tax regimes to which we are currently subject result in a relatively low effective tax rate on our worldwide income. These tax regimes, however, are subject to change, possibly with retroactive effect. For example, legislation has been proposed in the past that would eliminate the benefits of the exemption from U.S. federal income tax under Section 883 and subject all or a portion of our shipping income to taxation in the U.S. Moreover, we may become subject to new tax regimes and may be unable to take advantage of favorable tax provisions afforded by current or future law including exemption of branch profits and dividend withholding taxes under the U.S.-U.K. Income Tax Treaty on income derived in respect of our U.S.-flagged operation.

#### **Human Capital**

At NCLH, our culture is defined by our corporate values of flawless execution, dedication to family and community, spirit of entrepreneurship, financial excellence and environmental stewardship. These values were internally developed and are authentic to our Company as they define success in our culture and establish the foundation upon which it is built. We believe our culture and commitment to our team members attract and retain top talent, while simultaneously providing robust career development opportunities that ultimately results in significant value to our Company and its shareholders.

#### ***Demographics***

As of December 31, 2020, we employed approximately 3,300 full-time employees worldwide in our shoreside operations and approximately 31,000 shipboard employees. Regent and Oceania Cruises' ships use a third party to provide additional hotel and restaurant staffing onboard. We refer you to "Item 1A—Risk Factors—Our inability to recruit or retain qualified personnel or the loss of key personnel or employee relations issues may materially adversely affect our business, financial condition and results of operations" for more information regarding our relationships with union employees and our collective bargaining agreements that are currently in place.

#### ***Diversity, Equity and Inclusion***

Our Company is committed to fostering an inclusive workforce, where diverse backgrounds are represented, engaged and empowered to generate and execute on innovative ideas. Our commitment to diversity and inclusion is demonstrated by our Board of Directors, which is 30% female and 50% diverse. Our commitment to seeking female and minority candidates as well as candidates with diverse backgrounds is formalized in our Corporate Governance Guidelines.

Our Company operates globally, with team members representing more than 120 countries. To foster a diverse and inclusive culture, we seek to leverage the talents of all team members, commit to equal employment opportunity ("EEO") as detailed in our Company's EEO policy, and deliver unconscious bias, microaggressions and diversity and inclusion training. We have long-term partnerships with the National Diversity Council, sponsoring the Florida Diversity Council and its South Florida local chapter. We also partner with the prestigious International Women's Forum Fellows Program.

As of December 31, 2020, the composition of our workforce was as follows:

<b>Gender diversity (1)</b>	<b>Male %</b>	<b>Female %</b>
All shoreside team members	41%	59%
Shoreside Managers/above	51%	49%
All shipboard team members	77%	23%
3-stripe/above (equivalent to Manager level)	85%	15%
<b>Ethnic diversity (2)</b>	<b>Non-URMs %</b>	<b>URMs %</b>
All shoreside team members in the U.S. who have self-identified	36%	64%
Shoreside Managers/above in the U.S. who have self-identified	53%	47%

- (1) While we present male and female, we acknowledge this is not fully encompassing of all gender identities.  
 (2) Under-represented minority (“URM”) is used to describe diverse populations, including Native American, Asian, Black, Hispanic/Latino and Native Hawaiian team members in the U.S. We do not generally track ethnicity/race for our shipboard team members as the majority are URMs from a U.S. perspective.

**Compensation and Benefits**

Critical to our success is identifying, recruiting, retaining top talent and incentivizing existing and future team members. We attract and retain talented team members by offering competitive compensation and benefits. Our pay-for-performance compensation philosophy for our shoreside team is based on rewarding each team member’s individual contributions. We use a combination of fixed and variable pay components including base salary, bonus, equity, commissions and merit increases. We maintain a long-term incentive plan for our manager-level team members and above that allows us to provide share-based compensation to enhance our pay-for-performance culture and to support our attraction, retention and motivational goals. Our compensation programs for our shipboard team are similarly competitive and for the majority of this team, negotiated with various unions and documented in collective bargaining agreements.

The success of our Company is connected to the well-being of our team members, such that we offer a competitive benefits package including physical, financial and emotional well-being benefits. We offer our full-time U.S. shoreside team members a choice of Company-subsidized medical and dental programs to meet their needs and those of their families. In addition, we offer health savings and flexible spending accounts, vision cover, paid time off, employee assistance programs, short term disability and voluntary long-term disability insurance, term life and business travel insurance. Additionally, we offer a 401(k) retirement savings plan, education assistance including tuition reimbursement and student loan repayment. Our benefits vary by location and are designed to meet or exceed local requirements and to be competitive in the marketplace.

In response to the COVID-19 pandemic, we repatriated our non-essential crew members and transitioned our shoreside team to a remote work environment, which currently remains in place. Our crew repatriation was carried out as quickly as possible given constraints presented by travel restrictions, regulatory requirements and other challenges. We utilized air charters and commercial flights as well as certain of our own vessels to transport crew home. During this time, our crew were compensated according to their respective Collective Bargaining Agreements and were provided WiFi, medical care, accommodations and a daily onboard stipend when in stand down status after the conclusion of their contract. They had continual access to medical professionals to support their physical and mental well-being. The Company also funded housing expenses if quarantine was required upon arrival. While crew members are at home the Company maintains regular contact and provides business updates on our Company as well as the state of the industry to keep them informed.

Due to the global suspension of our cruise voyages since March 13, 2020, we took certain actions to preserve liquidity. We reduced our salary and benefit expense to a level more commensurate with our operations by reducing salaries and hours worked by 20% across the board during 2020, furloughing certain shoreside team members and generally not backfilling vacated positions. The furlough program was chosen over a reduction in force as it facilitated retention of our valued team members while we await a return to sailing. Consistent with our family-centric culture, we continued the

employer subsidy for medical cover for our furloughed team members, and in addition, funded the team member's portion for our furloughed team and their dependents. We also participated in short time compensation programs in Florida and Arizona to support our team members on 20% reduced hours to receive benefits from their state unemployment offices. Our shoreside offices monitor and follow government legislation and guidance and are prepared to return to our office environments when it is deemed safe to do so. For the protection of our shipboard team members, guests, and communities we visit, our Healthy Sail Panel has developed a comprehensive and multi-faceted health and safety strategy to enhance our already rigorous protocols and address the unique public health challenges posed by the COVID-19 pandemic.

### ***Training and Development***

The opportunity to grow and develop skills and experience, regardless of job role, division or geographic location is critical to the success of the Company as a global organization. We actively foster a culture of learning and offer a variety of developmental courses for our team members. We provide a mentorship program where even our most senior leaders actively participate. Succession planning is part of our culture. We have a year-round focus on providing team members with opportunities to develop their leadership skills and add to our bench of talent through various training initiatives. Succession planning and talent review programs allow us to continuously calibrate and evaluate high potential talent, offering talent rotations and investing in development for long-term success.

Shipboard team members have the opportunity to learn the skills and responsibilities of another position in a different department, either to increase their effectiveness in the Company, or to give them the opportunity to shift their career path.

### ***Retention and Engagement***

We have a history of strong retention rates across our shoreside and shipboard teams which we attribute to our culture that allows our team members to thrive and achieve their career goals. Our voluntary retention rate throughout 2020 remained at historical levels despite the impact that the COVID-19 pandemic has had on our Company and industry. We implemented a Standby Pay program in 2020 to retain our key shipboard officers who are off their normal contract rotation, which will facilitate our return to service with our experienced team.

Exceptional team members are recognized by a robust annual Award of Excellence recognition program which acknowledges and rewards individual team members and teams for their demonstration of Company values. We recently developed the Kloster Visionary Award which honors the Company's founder, Knut Kloster, by recognizing a team member whose spirit of innovation follows in the footsteps of this visionary. Through the shipboard Vacation Hero Awards program, shipboard supervisors and management recognize select shipboard team members that have proven to be outstanding in selected categories. This award program is designed to provide recognition and promote total guest satisfaction by encouraging and rewarding team members for demonstrating excellence in service, teamwork, attitude and leadership.

### ***Ports and Facilities***

We own a private island in the Bahamas, Great Stirrup Cay, which we utilize as a port-of-call on certain itineraries. We also operate a cruise destination in Belize, Harvest Caye, which we introduced in November 2016. We have developed, in conjunction with PortMiami, a new terminal, which will be our primary facility at the port. In addition, we have entered into various agreements relating to port or berthing rights for our ships, which include the following:

- an agreement with the Government of Bermuda whereby we are permitted weekly calls in Bermuda through 2028 from Boston and New York.
- contracts for the Port of New Orleans, PortMiami, Port Canaveral, Manhattan Cruise Terminal, A.J. Juneau Dock, Ogden Point Cruise Ship Terminal in Victoria, BC, Port of Southampton, Puerto Costa Maya, Port of Roatan, Puerto Plata, and various Hawaiian ports pursuant to which we receive preferential Berths to the exclusion of other vessels for certain specified days of the week at the terminals.

- a concession permit with the U.S. National Park Service whereby our ships are permitted to call on Glacier Bay during each summer cruise season through September 30, 2029.
- an agreement with the British Virgin Islands Port Authority granting priority berthing rights for a 15-year term through April 2032 with options to extend the agreement for two additional five-year terms.
- an agreement with the West Indian Company Limited granting priority berthing rights in St. Thomas for a 10-year term through September 2026 with an option to extend the agreement for an additional five years.
- an agreement with the Port of Seattle for a 15-year lease through October 2030 with an option to extend the agreement for an additional five years.
- an agreement with the Huna Totem Corporation that includes preferential berthing rights, for which a second pier in Icy Strait Point, Alaska has been developed.
- a 30-year preferential berthing agreement with Ward Cove Dock Group, LLC, who has constructed a new double ship pier in Ward Cove, Ketchikan, Alaska. The pier has been built to simultaneously accommodate two of Norwegian Cruise Line's 4,000 passenger Breakaway Plus Class Ships.

#### Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information with the SEC. Our SEC filings are available to the public at the SEC's website at <http://www.sec.gov>.

We also maintain an Internet site at <http://www.nclhldinvestor.com>. We will, as soon as reasonably practicable after we electronically file or furnish our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports, if applicable, make available such reports free of charge on our website. Our website also contains other items of interest to our investors, including, but not limited to, investor events, press and earnings releases and sustainability initiatives.

**References to our website throughout this annual report and the information contained therein or connected thereto are provided for convenience only and the content thereof is not incorporated into, and does not constitute a part of, this annual report on Form 10-K.**

#### Information about our Executive Officers

The following table sets forth certain information regarding NCLH's executive officers as of February 16, 2021.

Name	Age	Position
Frank J. Del Rio	66	Director, President and Chief Executive Officer
Mark A. Kempa	49	Executive Vice President and Chief Financial Officer
Robert Binder	56	Vice Chairman Oceania Cruises and Regent, President and Chief Executive Officer, Oceania Cruises brand
Jason M. Montague	47	President and Chief Executive Officer, Regent brand
Harry Sommer	53	President and Chief Executive Officer, Norwegian brand
Daniel S. Farkas	52	Executive Vice President, General Counsel and Assistant Secretary
T. Robin Lindsay	63	Executive Vice President, Vessel Operations
Faye L. Ashby	49	Senior Vice President and Chief Accounting Officer

All the executive officers listed above hold their offices at the pleasure of our Board of Directors, subject to rights under any applicable employment agreements. There are no family relationships between or among any directors and executive officers.

**Frank J. Del Rio** has served as President and Chief Executive Officer of NCLH since January 2015 and became a director of NCLH in August 2015. Mr. Del Rio has been responsible for the successful integration of NCLH and Prestige

and oversees the financial, operational and strategic performance of the Norwegian, Regent and Oceania Cruises brands. Mr. Del Rio founded Oceania Cruises in October 2002 and served as Chief Executive Officer of Prestige or its predecessor from October 2002 through September 2016. Mr. Del Rio was instrumental in the growth of Oceania Cruises and Regent. Prior to founding Oceania Cruises, Mr. Del Rio played a vital role in the development of Renaissance Cruises, serving as Co-Chief Executive Officer, Executive Vice President and Chief Financial Officer from 1993 to April 2001. Mr. Del Rio holds a B.S. in Accounting from the University of Florida and is a Certified Public Accountant (inactive license).

**Mark A. Kempa** has served as Executive Vice President and Chief Financial Officer since August 2018. Prior to that, he served as Interim Chief Financial Officer from March 2018 to August 2018 and as NCLH's Senior Vice President, Finance, from November 2014 to August 2018. From September 2008 to November 2014, he served as Vice President, Corporate and Capital Planning, and was an instrumental figure in the completion of NCLH's IPO in 2013 and the Acquisition of Prestige in 2014. From January 2007 to August 2008, he served as Director, Corporate and Capital Planning. From January 2003 to December 2006, he served as Director, Newbuild Cost and Control. In this role, he spent almost three years representing the financial interests of the Company's expansive newbuild program while positioned overseas in Germany. From May 1998 to December 2002, he served in various roles in accounting and internal audit. Prior to joining the Company, Mr. Kempa served as the Assistant Controller for International Voyager Media, a travel portfolio company. Mr. Kempa holds a Bachelor's degree in Accounting from Barry University.

**Robert J. Binder** has served as President and Chief Executive Officer of the Oceania Cruises brand since September 2016 and as Vice Chairman, Oceania Cruises and Regent since May 2015. He served as President of International Operations from February 2015 until May 2015. Prior to the Acquisition of Prestige in November 2014, Mr. Binder served as the Vice Chairman of Prestige since May 2011 and as President of Prestige since January 2008, where he oversaw the global expansion of the Prestige brands and was responsible for sales, marketing and branding efforts internationally. Mr. Binder is co-founder of Oceania Cruises and previously served as President of Oceania Cruises. Before launching Oceania Cruises, Mr. Binder was the President of Meadowoods Consulting, which provided consulting services to the financial and travel services industries. From 1992 to 2001, he held several executive positions in the cruise industry. Mr. Binder also held senior management positions at JP Morgan Chase, where he was a Strategic Planning Officer, and at Renaissance Cruises, where he was Vice President of Sales. Mr. Binder earned master's degrees in both Finance and Marketing from Cornell University and did his undergraduate studies at Purdue University.

**Jason M. Montague** has served as President and Chief Executive Officer of the Regent brand since September 2016. In this role, he is responsible for financial and day-to-day operations of the Regent brand. Previously, he served as President and Chief Operating Officer for the Oceania Cruises and Regent brands from December 2014 until September 2016, where he successfully oversaw the launch of Sirena for the Oceania Cruises brand and the Seven Seas Explorer for the Regent brand. Prior to that, he served as Executive Vice President and Chief Integration Officer for NCLH during the Acquisition of Prestige. Before the acquisition by NCLH, he served as Chief Financial Officer and Executive Vice President for Prestige, from September 2010 until November 2014. During his 12-year tenure at Prestige, Mr. Montague helped build the business plan for the launch of Oceania Cruises in 2002, including oversight for the purchase of its initial three R-class vessels, was involved with the equity investment by Apollo Global Management, LLC and acquisition of Regent Seven Seas Cruises, and drove financing and delivery of Oceania Cruises' newbuilds, Marina and Riviera. Mr. Montague served as Oceania Cruises' Vice President and Treasurer from 2004 to 2007 and Senior Vice President of Finance from 2008 to 2010. Prior to joining Oceania Cruises, Mr. Montague operated a successful consulting practice focused on strategic planning and development of small to medium-sized companies. Previously, he held the position of Vice President, Finance for Alton Entertainment Corporation, a brand equity marketer that was majority owned by the Interpublic Group of Companies. Mr. Montague holds a B.B.A. in Accounting from the University of Miami.

**Harry Sommer** has served as President and Chief Executive Officer, Norwegian Cruise Line, since January 2020 and was President, International, from January 2019 to January 2020. Prior to that, he served as Executive Vice President, International Business Development from May 2015 to January 2019. From February 2015 until May 2015, he served as Executive Vice President and Chief Integration Officer for NCLH. Mr. Sommer previously served as Senior Vice President and Chief Marketing Officer of Prestige from October 2013 until February 2015, Senior Vice President, Finance, and Chief Information Officer of Prestige from September 2011 until October 2013 and Senior Vice President,

Accounting, Chief Accounting Officer and Controller of Prestige from August 2009 until August 2011. Prior to joining Prestige, Mr. Sommer was the co-founder and President of Luxury Cruise Center, a high-end travel agency and prior to that, held various marketing and finance roles at Renaissance Cruises. Mr. Sommer holds an M.B.A. from Pace University and a B.B.A. from Baruch College.

**Daniel S. Farkas** has served as Executive Vice President and General Counsel of NCLH since January 2019. He has also served as Assistant Secretary of the Company since 2013. Since Mr. Farkas joined the Company in January 2004, he has held the positions of Secretary from 2010 to 2013, Senior Vice President and General Counsel from 2008 through 2018, Vice President and Assistant General Counsel from 2005 to 2008, and Assistant General Counsel from 2004 to 2005 and was instrumental in the Company's IPO and the Acquisition of Prestige. Mr. Farkas was formerly a partner in the Miami offices of the law firm Mase and Gassenheimer specializing in maritime litigation. Before that he was an Assistant State Attorney for the Eleventh Judicial Circuit in and for Miami-Dade County, Florida. Mr. Farkas currently serves as Chairman of the board of directors of the Cruise Industry Charitable Foundation and on the board of directors of the Steamship Mutual Underwriting Association Limited. Mr. Farkas earned a B.A., cum laude, in English and American Literature from Brandeis University and a J.D. from the University of Miami.

**T. Robin Lindsay** has served as Executive Vice President, Vessel Operations, for NCLH since January 2015. From November 2014 until January 2015, Mr. Lindsay served as Executive Vice President, Newbuild, for Prestige. Prior to the Acquisition of Prestige, he served as the Executive Vice President of Vessel Operations for Prestige from January 2008 until November 2014 and Senior Vice President of Hotel Operations from February 2003 until January 2008 and oversaw all marine, technical and hotel operations. Mr. Lindsay was instrumental in the extensive refurbishment and launch of Oceania Cruises' Regatta, Insignia and Nautica and the development of the Marina and Riviera. Mr. Lindsay possesses a substantial amount of experience in the cruise industry and has overseen the design and construction of many of the industry's most acclaimed cruise ships. Prior to joining Oceania Cruises in 2003, Mr. Lindsay was the Senior Vice President of Vessel Operations at Silversea Cruises and, prior to that, Vice President of Operations at Radisson Seven Seas Cruises. Mr. Lindsay earned his B.S. degree from Louisiana Tech University.

**Faye L. Ashby** has served as Senior Vice President and Chief Accounting Officer of NCLH since February 2016. She joined NCLH as Controller in November 2014 after the Acquisition of Prestige and served in that position until February 2016. From January 2012 to November 2014, Ms. Ashby served as Controller for Prestige, where she managed and developed the Accounting and External Financial Reporting teams. From March 2010 to December 2011, Ms. Ashby held the position of Senior Director of Financial Reporting with Prestige, where she started the Financial Reporting Department and was responsible for the preparation of annual financial statements, coordination of external audits and researching technical accounting issues. Before joining Prestige, Ms. Ashby was a Senior Manager at the international public accounting firm of Deloitte. She has an M.B.A. and B.B.A. with concentrations in accounting from the University of Miami and is a Certified Public Accountant in Florida.

#### **Item 1A. Risk Factors**

*In addition to the other information contained in this annual report, you should carefully consider the following risk factors in evaluating our business. If any of the risks discussed or additional risks and uncertainties not currently known to us or that we currently deem to be immaterial actually occur, our business, financial condition and results of operations could be materially adversely affected. The COVID-19 pandemic has also had the effect of heightening many of the risks described below. The ordering of the risk factors below is not intended to reflect an indication of priority or likelihood. In connection with the forward-looking statements that appear in this annual report, you should also carefully review the cautionary statement referred to under "Cautionary Statement Concerning Forward-Looking Statements."*

#### **COVID-19 and Debt/Liquidity Related Risk Factors**

*COVID-19 has had, and is expected to continue to have, a significant impact on our financial condition and operations. The current, and uncertain future, impact of the COVID-19 pandemic, 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.*

The spread of COVID-19 and the developments surrounding the global pandemic are having significant negative impacts on all aspects of our business. In March 2020, we implemented a voluntary suspension of all cruise voyages across our three brands, which has subsequently been extended through May 31, 2021. We are currently expecting a gradual phased relaunch of cruise voyages in the future, but due to the uncertainties surrounding the COVID-19 pandemic, the suspension may be extended again or could potentially be reinstated after we have begun sailing, and the total length of the suspension may be prolonged. 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, each of which has impacted, and is expected to continue to significantly impact, global guest sourcing and our access to various ports of call around the globe. On October 30, 2020, the CDC issued a Conditional Order that introduces a phased approach for the resumption of passenger cruises. We continue to work through the requirements of the Conditional Order, but as currently drafted, it is unclear whether we will be able to comply with the Conditional Order and the timing for our ability to resume cruises is therefore uncertain. Additionally, compliance with the Conditional Order may involve significant costs and could create significant uncertainties about our ability to continue to operate our cruise voyages once sailing resumes. We will continue to incur COVID-19 related costs as we implement additional health-related protocols on our ships, such as physical distancing measures, which may have a significant effect on our operations. In addition, the industry will be subject to enhanced health and safety requirements which may be costly and take a significant amount of time to implement across our fleet. There is no guarantee that the health and safety protocols we implement will be successful in preventing the spread of COVID-19 onboard our ships and among our passengers and crew.

To date, the COVID-19 pandemic has resulted in significant costs and lost revenue as a result of the suspension of cruise voyages, 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 to their home destinations and expenses to transport our crew to and from our ships and to assist some of our crew that have been unable to return home in an optimal time frame with food and housing.

We have actively worked to disembark our crew members who will not remain with our ships through the suspension and transport them safely to their home countries, but our ability to transport crew to and from our ships in the future is dependent on a number of factors, including the ability to transport crew members to and from their home countries due to the limited number of commercial flights and charter options available, and governmental restrictions and regulations with respect to disembarking crew members and travel generally. Such restrictions on crew travel could impact our ability to re-staff our ships once operations resume.

Between March 12, 2020 and April 30, 2020, three class action lawsuits were filed against us under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10b-5 promulgated thereunder, alleging that we 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 our marketing during the COVID-19 pandemic. 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. The impacts of COVID-19 on the shipyards where our ships are under construction or will be constructed, have resulted in some delays in expected ship deliveries, and the impacts of COVID-19 could result in additional delays in ship deliveries in the future, which may be prolonged.

Due to the unknown duration and extent of the COVID-19 pandemic, travel restrictions, bans and advisories, uncertainties around our ability to comply with the Conditional Order, the potential unavailability of ports and/or destinations, unknown cancellations and timing of redeployments and a general impact on consumer sentiment regarding cruise travel, there are continuing uncertainties about when our full fleet will be back in service at historical occupancy levels even if we are able to relaunch cruise voyages. Moreover, even after we relaunch our cruise voyages, 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-pandemic demand or pricing levels. 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 continue to have in the future, a strong negative effect on our business. In particular, our bookings may be negatively impacted by enhanced health and safety protocols, including potential vaccination requirements, concerns that cruises are susceptible to the spread of infectious diseases as well as 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 by any adverse impact our partners suffer.

As a result of these unprecedented circumstances we are not able to predict the full impact of the COVID-19 pandemic 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 effects of the COVID-19 pandemic 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 number of cancellations, we may be required to provide cash refunds for a substantial portion of the balance of our advanced ticket sales.

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 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 have and may continue to adversely affect our liquidity. We have agreements with several credit card companies to process the sale of tickets and provide 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 would 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. As of December 31, 2020, we had a reserve of approximately \$200 million with a credit card processor recognized in other long-term assets, and in January 2021, we provided additional cash collateral of \$250 million. Additionally, we are required to fund all refunds until further notice and 100% of incoming advance ticket sales deposits with this credit card processor will be withheld and are not expected to be released until the credit card processor's exposure is fully collateralized. As of December 31, 2020, the exposure was approximately \$780 million. The reserve shortfall of approximately \$330 million, after taking into effect the January additional collateral provided, will decrease as refunds are funded, cruises are provided and amounts withheld by the credit card processor are allocated to the reserve rather than remitted to the Company. We may be required to find new credit card processors, pledge additional collateral and/or post cash reserves or take other actions that may further reduce our liquidity. As a consequence, our financial position and liquidity could be further materially impacted.

As a result of all of the foregoing, we will report a net loss for the three months ending March 31, 2021 and expect to report a net loss until we are able to resume voyages. Our ability to forecast our cash inflows and additional capital needs is hampered, and we could be required to raise additional capital in the future. 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, the terms and conditions of our existing debt agreements and any agreements governing future indebtedness, our prospects and our credit ratings. Since March 2020, Moody's has downgraded our long-term issuer rating to B2, our senior secured rating to B1 and our senior unsecured rating to Caa1. Since April 2020,

S&P Global has downgraded our issuer credit rating to B+, lowered our issue-level rating on our \$875 million Revolving Loan Facility and \$1.5 billion Term Loan A Facility to BB, our issue-level rating on our \$675 million 2024 Senior Secured Notes and \$750 million 2026 Senior Secured Notes to BB- and our senior unsecured rating to B. We anticipate that S&P Global will further downgrade our issuer credit rating to B and lower our senior unsecured rating to B- or CCC+. 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 our subsidiaries to pay dividends or make distributions to us; 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 pandemic has significantly increased economic and demand uncertainty. The current pandemic and continued spread of COVID-19 has caused a global recession, which could have a further adverse impact on our financial condition and operations, and this impact could exist for an extended period of time.

The extent of the effects of the pandemic 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 pandemic, the severity and transmission rates of new variants of COVID-19, the availability, distribution, and efficacy of vaccines and therapeutics for COVID-19, 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. COVID-19 has also had the effect of heightening many of the other risks described herein, 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.

Additionally, epidemics, pandemics and viral outbreaks or other wide-ranging health scares in the future would likely also adversely affect our business, financial condition and results of operations.

***As a result of the COVID-19 pandemic, we have paused our global fleet cruise operations, and if we are unable to recommence normal operations, we may not be in compliance with maintenance covenants in certain of our debt facilities.***

Certain of our debt facilities include maintenance and financial covenants. For example, under the Senior Secured Credit Facility, we are required to maintain a loan to value ratio of no less than 0.70 to 1.00. Financial covenants include free liquidity of no less than \$50,000,000 at all times, a total net funded debt to total capitalization ratio of less than 0.70 to 1.00 at the end of each quarter and either free liquidity of no less than \$100,000,000 or EBITDA to consolidated debt service ratio of at least 1.25 to 1.00 at the end of each fiscal quarter. As a result of the COVID-19 pandemic, we have paused our global fleet cruise operations and if we are unable to re-commence normal operations, we may be out of compliance with some or all of the maintenance and financial covenants in certain of our debt facilities. If we expect to not be in compliance, we would expect to seek waivers from the lenders under these facilities or renegotiate these facilities prior to any covenant violation. For example, on January 29, 2021, we entered into an amendment to the Senior Secured Credit Facility, which provides that, from the amendment effective date to and including December 31, 2022, the testing of the covenants under the Senior Secured Credit Facility will be suspended and the free liquidity test will be replaced by a covenant to maintain at least \$200,000,000 in free liquidity, certified on a monthly basis. This amendment

also made certain other changes to the Senior Secured Credit Facility, including tightening certain of the baskets applicable to our ability to incur additional indebtedness and make asset dispositions, investments and restricted payments.

Any covenant waiver or renegotiation of any of our debt facilities has led, and may in the future lead, to increased costs, increased interest rates, additional restrictive covenants and other available lender protections that would be applicable to us under these debt facilities, and such increased costs, restrictions and modifications may vary among debt facilities. Our ability to provide additional lender protections under these facilities will be limited by the restrictions in our indebtedness. There can be no assurance that we would be able to obtain waivers or renegotiate these facilities in a timely manner, on acceptable terms or at all. If we were not able to obtain a covenant waiver under any one or more of these debt facilities or renegotiate such facilities, we would be in default of such agreements, which could result in cross defaults to our other debt agreements. As a consequence, we would need to refinance or repay the applicable debt facility or facilities, and would be required to raise additional debt or equity capital, or divest assets, to refinance or repay such facility or facilities. If we were to be unable to obtain a covenant waiver under any one or more of these debt facilities or renegotiate such facilities, there can be no assurance that we would be able to raise sufficient debt or equity capital, or divest assets, to refinance or repay such facility or facilities.

With respect to each of these debt facilities, if we were unable to or did not obtain a waiver, renegotiate or refinance or repay such debt facilities, it would lead to an event of default under such facilities, which could lead to an acceleration of the indebtedness under such debt facilities. In turn, this would lead to an event of default and potential acceleration of amounts due under all of our outstanding debt and derivative contract payables. If we were unable to repay those amounts, the holders of our secured indebtedness could proceed against the collateral granted to them to secure that indebtedness, which includes a significant portion of our assets including our ships. Any such action would have an adverse impact on our business, financial condition and results of operations. As a result, the failure to obtain the covenant waivers or renegotiate our facilities as described above would have a material adverse effect on us and our ability to service our debt obligations.

***We anticipate that we will need additional financing in the future, which may not be available on favorable terms, or at all, and may be dilutive to existing shareholders.***

We anticipate that we will need additional equity and/or debt financing to fund our operations in the future, especially if our suspension of cruise voyages is prolonged. 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. NCLH anticipates seeking shareholder approval to increase its authorized share capital at a future shareholder meeting so that it can raise additional equity capital. Such increase may not be approved. 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 and when holders of our exchangeable notes exchange their exchangeable notes for ordinary shares, NCLH's shareholders will be significantly diluted. 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. We may not have sufficient available collateral to pledge to support additional financing. 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, which could negatively affect our business. Our credit ratings, which have been downgraded as a result of the impact on our business of the COVID-19 pandemic, could be further downgraded, which could have an impact on the availability or cost of financing. In addition, we may conclude that there is a substantial doubt about our ability to operate as a going concern, which could have additional effects on our credit ratings and the availability or cost of financing. There can be no assurance that our ability to access the credit or capital markets will not be adversely affected by changes in the financial markets and the global economy. 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.

***Our indebtedness, and the agreements governing our indebtedness, may limit our flexibility in operating our business and a substantial majority of our assets are collateral under our debt agreements.***

A substantial portion of our cash flow from operations is dedicated to the repayment of our indebtedness, which may limit our available funds for other business functions and strategic opportunities and may make us more vulnerable to downturns in our business, the economy and the industry in which we operate. We may not be able to generate sufficient cash to service our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, including refinancing our indebtedness, which may not be successful. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations.

In addition, 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 NCLH's subsidiaries, including NCLC, to pay dividends or make distributions to NCLH; 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.

***Any further impairment of our trade names or goodwill could adversely affect our financial condition and operating results.***

We evaluate trade names 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. For example, we suspended our cruise voyages in March 2020 due to the COVID-19 pandemic, which substantially impacted our cash flows. Reductions of the cash flows used in the impairment analyses may result in the recording of an impairment charge to a reporting unit's trade name or goodwill. During the three months ended March 31, 2020, we recognized a goodwill impairment loss of \$1.3 billion. See Note 4—"Goodwill and Intangible Assets" for additional information. As of December 31, 2020, there was \$98.1 million of goodwill for the Regent Seven Seas reporting unit after impairment. We also recognized an impairment loss for our Oceania Cruises and Regent Seven Seas Cruises trade names during the year ended December 31, 2020 in an aggregate amount of \$317.0 million, with \$500.5 million remaining as of December 31, 2020. We believe that we have made reasonable estimates and judgments. However, a change in our estimated future operating cash flows may result in a decline in fair value in future periods, which may result in a need to recognize additional impairment charges.

***The impact of volatility and disruptions in the global credit and financial markets could increase our counterparty credit risks, including those under our credit facilities, derivatives, contingent obligations, insurance contracts and new ship progress payment guarantees.***

Economic downturns, including failures of financial institutions and any related liquidity crisis, can disrupt the capital and credit markets. Such disruptions could cause counterparties under our credit facilities, derivatives, contingent obligations, insurance contracts and new ship progress payment guarantees to be unable to perform their obligations or to breach their obligations to us under our contracts with them, which could include failures of financial institutions to fund required borrowings under our loan agreements and to pay us amounts that may become due under our derivative contracts and other agreements. Also, we may be limited in obtaining funds to pay amounts due to our counterparties under our derivative contracts and to pay amounts that may become due under other agreements. If we were to elect to replace any counterparty for their failure to perform their obligations under such instruments, we would likely incur significant costs to replace the counterparty. Any failure to replace any counterparties under these circumstances may result in additional costs to us or an ineffective instrument.

Certain of our debt agreements use LIBOR as a reference rate for interest rate calculations. In July 2017, the U.K.'s Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. The U.S. Federal Reserve has begun publishing a Secured Overnight Funding Rate, which is intended to replace U.S. dollar LIBOR. Plans for alternative reference rates for other currencies have also been announced. At this time, we cannot predict how markets will respond to these proposed alternative rates or the effect of any changes to LIBOR or the discontinuation of LIBOR. If LIBOR is no longer available or if our lenders have increased costs due to changes in LIBOR, we may experience potential increases in interest rates on our variable rate debt, which could adversely impact our results of operations. In addition, some of our debt agreements which use LIBOR as a reference rate do not contain fallback reference rates. If LIBOR is discontinued, we may incur additional costs related to contract renegotiation for such agreements.

#### **Operational Related Risk Factors**

##### ***Unavailability of ports of call may materially adversely affect our business, financial condition and results of operations.***

We believe that attractive port destinations are a major reason why guests choose to go on a particular cruise or on a cruise vacation. The availability of ports, including the specific port facility at which our guests will embark and disembark, is affected by a number of factors, including, but not limited to, health, safety, and environmental concerns, existing capacity constraints, security, adverse weather conditions and natural disasters such as hurricanes, floods, typhoons and earthquakes, financial limitations on port development, political instability, exclusivity arrangements that ports may have with our competitors, local governmental regulations and fees, local community concerns about port development and other adverse impacts on their communities from additional tourists and sanctions programs implemented by the Office of Foreign Assets Control of the United States Treasury Department or other regulatory bodies. The COVID-19 pandemic has substantially limited the number of ports that are able and willing to accommodate passenger cruise voyages and we cannot be sure how long these limitations will continue. In the past, regulatory changes have prohibited us from visiting ports in destinations like Cuba and we have temporarily changed certain itineraries in the Caribbean due to damage some ports sustained from hurricanes. There can be no assurance that our ports of call will not be similarly affected in the future. Due to environmental and over-crowding concerns, some local governments have begun to take measures to limit the number of cruise ships and passengers allowed at certain destinations. For example, Dubrovnik, Venice and Barcelona have either implemented or considered implementing such limitations on cruise ships and passengers. Limitations on the availability of ports of call or on the availability of shore excursions and other service providers at such ports have adversely affected our business, financial condition and results of operations in the past and could do so in the future.

##### ***We rely on scheduled commercial airline services for passenger and crew connections. Increases in the price of, or major changes or reduction in, commercial airline services could undermine our customer base or disrupt our operations.***

A number of our passengers and crew depend on scheduled commercial airline services to transport them to ports of embarkation for our cruises. Increases in the price of airfare due to increases in fuel prices, fuel surcharges, changes in commercial airline services as a result of health and safety events, strikes, weather or other events, or the lack of availability due to schedule changes or a high level of airline bookings could adversely affect our ability to deliver guests and crew to or from our ships and thereby increase our cruise operating expenses which would, in turn, have an adverse effect on our financial condition and results of operations. For example, many commercial airlines have reduced services due to the COVID-19 pandemic. COVID-19 related regulations have also prevented us from using commercial airline services to transport many of our crew members to and from our ships, which has resulted in increased costs to our Company.

##### ***Terrorist acts, armed conflict and threats thereof, acts of piracy, and other international events impacting the security of travel could adversely affect the demand for cruises.***

The threat or possibility of future terrorist acts, an outbreak of hostilities or armed conflict abroad or the possibility or fear of such events, political unrest and instability, the issuance of travel advisories or elevated national threat warnings by national governments, an increase in the activity of pirates, and other geo-political uncertainties have had in the past and may again in the future have an adverse impact on the demand for cruises, and consequently, the pricing for cruises. Decreases in demand and reduced pricing in response to such decreased demand would adversely affect our business by reducing our profitability.

***Adverse incidents involving cruise ships may adversely affect our business, financial condition and results of operations.***

The operation of cruise ships carries an inherent risk of loss caused by adverse weather conditions and maritime disasters, including, but not limited to, oil spills and other environmental mishaps, extreme weather conditions such as hurricanes, floods and typhoons, fire, mechanical failure, collisions, human error, war, terrorism, piracy, political action, civil unrest and insurrection in various countries and other circumstances or events. Any such event may result in loss of life or property, loss of revenue or increased costs and the frequency and severity of natural disasters may increase due to climate change. The operation of cruise ships also involves the risk of other incidents at sea or while in port, including missing guests, inappropriate crew or passenger behavior and onboard crimes, which may bring into question passenger safety, may adversely affect future industry performance and may lead to litigation against us. We have experienced accidents and other incidents involving our cruise ships in the past and there can be no assurance that similar events will not occur in the future. It is possible that we could be forced to cancel a cruise or a series of cruises due to these factors or incur increased port-related and other costs resulting from such adverse events. Any such event involving our cruise ships or other passenger cruise ships may adversely affect guests' perceptions of safety or result in increased governmental or other regulatory oversight. An adverse judgment or settlement in respect of any of the ongoing claims against us may also lead to negative publicity about us. The expanded use of social media has increased the speed that negative publicity spreads and makes it more difficult to mitigate reputational damage. Anything that damages our reputation (whether or not justified), including adverse publicity about passenger safety, could have an adverse impact on demand, which could lead to price discounting and a reduction in our sales and could adversely affect our business, financial condition and results of operations. If there is a significant accident, mechanical failure or similar problem involving a ship, we may have to place a ship in an extended Dry-dock period for repairs. This could result in material lost revenue and/or increased expenditures.

***The adverse impact of 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 can decrease the level of disposable income of consumers or consumer confidence. The demand for cruises is affected by international, national and local economic conditions.***

The demand for cruises is affected by international, national and local economic conditions. Adverse changes in the perceived or actual economic climate in North America or globally, such as the volatility of fuel prices, higher interest rates, stock and real estate market declines and/or volatility, more restrictive credit markets, higher unemployment or underemployment rates, higher taxes, changes in governmental policies and political developments impacting international trade, trade disputes and increased tariffs, could reduce the level of discretionary income or consumer confidence in the countries from which we source our guests. Consequently, this may negatively affect demand for cruise vacations in these countries, which are a discretionary purchase. Decreases in demand for cruise vacations could result in price discounting, which, in turn, could reduce the profitability of our business. In addition, these conditions could also impact our suppliers, which could result in disruptions in our suppliers' services and financial losses for us.

***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 could impair our operations, subject us to significant fines, penalties and damages, and have a material adverse impact on our business, financial condition and results of operations.***

The integrity and reliability of our information technology systems and networks are crucial to our business operations and disruptions to these systems or networks could impair our operations, have an adverse impact on our financial results and negatively affect our reputation and customer demand. In addition, certain networks are dependent on third-party

technologies, systems and service providers for which there is no certainty of uninterrupted availability. Among other things, actual or threatened natural disasters, information systems failures, computer viruses, denial-of-service attacks and other cyber-attacks may cause disruptions to our information technology, telecommunications and other networks. Our business continuity, disaster recovery, data restoration plans and data and information technology security may not prevent disruptions that could result in adverse effects on our operations and financial results. We carry limited business interruption insurance for certain shoreside operations, subject to limitations, exclusions and deductibles.

As part of our ordinary business operations, we and certain of our third-party service providers collect, process, transmit and store a large volume of personally identifiable information. The security of the systems and networks where we and our service providers store this data is a critical element of our business. We experience cyber-attacks of varying degrees on our systems and networks and, as a result, unauthorized parties have obtained in the past, and may in the future obtain, access to our computer systems and networks, including cloud-based platforms. The technology infrastructure and systems of our suppliers, vendors, service providers and partners have in the past experienced and may in the future experience such attacks. Cyber-attacks can include to computer viruses, malware, worms, hackers and other malicious software programs or other attacks, including physical and electronic break-ins, router disruption, sabotage or espionage, disruptions from unauthorized access and tampering (including through social engineering such as phishing attacks), impersonation of authorized users and coordinated denial-of-service attacks. For example, in October 2018, we discovered limited instances of unauthorized access to certain employee e-mail communications, some of which contained proprietary business and personally identifiable information. We have implemented additional safeguards, and we do not believe that we experienced any material losses related to this incident; however, there can be no assurance that this or any other breach or incident will not have a material impact on our operations and financial results in the future. In addition, we may not be in a position to promptly address security breaches, unauthorized access or other cyber-attacks or incidents or to implement adequate preventative measures if we are unable to immediately detect such incidents. Our failure to successfully prevent, mitigate or timely respond to such incidents could impair our ability to conduct business and damage our reputation.

We are also subject to laws in multiple jurisdictions relating to the privacy and protection of personal data. Noncompliance with these laws or the compromise of information systems used by us or our service providers resulting in the loss, disclosure, misappropriation of or access to the personally identifiable information of our guests, prospective guests, employees or vendors could result in governmental investigation, civil liability or regulatory penalties under laws protecting the privacy of personal information, any or all of which could disrupt our operations and materially adversely affect our business. Additionally, any material failure by us or our service providers to maintain compliance with the Payment Card Industry security requirements or to rectify a data security issue may result in fines and restrictions on our ability to accept credit cards as a form of payment. The regulatory framework for data privacy and protection is uncertain for the foreseeable future, and it is possible that legal and regulatory obligations may continue to increase and may be interpreted and applied in a manner that is inconsistent or possibly conflicting from one jurisdiction to another.

In the event of a data security breach of our systems and/or third-party systems or a cyber-attack or other cyber incident, we may incur costs associated with the following: response, notification, forensics, regulatory investigations, public relations, consultants, credit identity monitoring, credit freezes, fraud alert, credit identity restoration, credit card cancellation, credit card reissuance or replacement, data restoration, regulatory fines and penalties, vendor fines and penalties, legal fees, damages and settlements. In addition, data security breaches, a cyber-attack or other cyber incident may cause business interruption, information technology disruption, disruptions as a result of regulatory investigation or litigation, digital asset loss related to corrupted or destroyed data, loss of company assets, damage to our reputation, damages to intangible property and other intangible damages, such as loss of consumer confidence, all of which could impair our operations and have an adverse impact on our financial results.

***Changes in fuel prices and the type of fuel we are permitted to use and/or other cruise operating costs would impact the cost of our cruise ship operations and our hedging strategies may not protect us from increased costs related to fuel prices.***

Fuel expense is a significant cost for our Company. Future increases in the cost of fuel globally or regulatory requirements which require us to use more expensive types of fuel would increase the cost of our cruise ship operations. For example, as of January 2020, the IMO's convention entitled Prevention of Pollution from Ships (MARPOL) set a

global limit on fuel sulfur content of 0.5% (reduced from the previous 3.5% global limit). Various compliance methods, such as the use of low-sulfur fuels or exhaust gas cleaning systems that reduce an equivalent amount of sulfur emissions, may be utilized. We have elected to install exhaust gas cleaning systems on some ships in our fleet, which will allow us to continue to use high-sulfur fuel on those ships in certain areas. However, if exhaust gas cleaning systems are not widely used in the industry, low demand for high-sulfur fuel may increase the price for such fuel. Ships in our fleet that do not have exhaust gas cleaning systems, and in specified areas even ships with exhaust gas cleaning systems, will be required to use low-sulfur fuels. Low-sulfur fuels may be costly due to increased demand and scarcity if suppliers are not able to produce sufficient quantities. In addition, we could experience increases in other cruise operating costs due to market forces and economic or political instability resulting from increases or volatility in fuel expense. Our hedging program may not be successful in mitigating higher fuel costs, and any price protection provided may be limited due to market conditions, including choice of hedging instruments, breakdown of correlation between hedging instrument and market price of fuel and failure of hedge counterparties. To the extent that we use hedge contracts that have the potential to create an obligation to pay upon settlement if fuel prices decline significantly, such hedge contracts may limit our ability to benefit fully from lower fuel costs in the future. There can be no assurance that our hedging arrangements will be cost-effective or that our counterparties will be able to perform under our hedging arrangements. Additionally, deterioration in our financial condition could negatively affect our ability to enter into new hedge contracts in the future.

***Mechanical malfunctions and repairs, delays in our shipbuilding program, maintenance and refurbishments and the consolidation of qualified shipyard facilities could adversely affect our results of operations and financial condition.***

The new construction, refurbishment, repair and maintenance of our ships are complex processes and involve risks similar to those encountered in other large and sophisticated equipment construction, refurbishment and repair projects. Our ships are subject to the risk of mechanical failure or accident, which we have occasionally experienced and have had to repair. For example, in the past we have had to delay or cancel cruises due to mechanical issues on our ships. There can be no assurance that we will not experience similar events in the future. If there is a mechanical failure or accident in the future, we may be unable to procure spare parts when needed or make repairs without incurring material expense or suspension of service, especially if a problem affects certain specialized maritime equipment, such as the radar, a pod propulsion unit, the electrical/power management system, the steering gear or the gyro system.

In addition, availability, work stoppages, insolvency or financial problems in the shipyards' construction, refurbishment or repair of our ships, or other "force majeure" events that are beyond our control and the control of shipyards or subcontractors, could also delay or prevent the newbuild delivery, refurbishment and repair and maintenance of our ships. Any termination or breach of contract following such an event may result in, among other things, the forfeiture of prior deposits or payments made by us, potential claims and impairment of losses. A significant delay in the delivery of a new ship, or a significant performance deficiency or mechanical failure of a new ship could also have an adverse effect on our business. Currently, the impacts of COVID-19 on the shipyards where our ships are under construction (or will be constructed) have resulted in some delays in expected ship deliveries, and the impacts of COVID-19 could result in additional delays in ship deliveries in the future, which may be prolonged. The consolidation of the control of certain European cruise shipyards could result in higher prices for the construction of new ships and refurbishments and could limit the availability of qualified shipyards to construct new ships. Also, the lack of qualified shipyard repair facilities could result in the inability to repair and maintain our ships on a timely basis. These potential events and the associated losses, to the extent that they are not adequately covered by contractual remedies or insurance, could adversely affect our results of operations and financial condition.

***Conducting business internationally may result in increased costs and risks.***

We operate our business internationally and plan to continue to develop our international presence. Operating internationally exposes us to a number of risks, including political risks, risks of increases in duties and taxes, risks relating to anti-bribery laws, as well as risks that laws and policies affecting cruising, vacation or maritime businesses, or governing the operations of foreign-based companies may change. Additional risks include imposition of trade barriers, withholding and other taxes on remittances and other payments by subsidiaries and changes in and application of foreign taxation structures, including value added taxes. If we are unable to address these risks adequately, our business, financial condition and results of operations could be materially and adversely affected.



Operating internationally also exposes us to numerous and sometimes conflicting legal and regulatory requirements. In many parts of the world, including countries in which we operate, practices in the local business communities might not conform to international business standards. We have implemented safeguards and policies to prevent violations of various anti-corruption laws that prohibit improper payments or offers of payments to foreign governments and their officials for the purpose of obtaining or retaining business by our employees and agents. However, our existing safeguards and policies and any future improvements may prove to be less than effective, and our employees or agents may engage in conduct prohibited by our policies, but for which we nevertheless may be held responsible. If our employees or agents violate our policies, if we fail to maintain adequate record-keeping and internal accounting practices to accurately record our transactions or if we fail to implement or maintain other adequate safeguards, we may be subject to regulatory sanctions or severe criminal or civil sanctions and penalties.

We have operations in and source passengers from the U.K. and member countries of the E.U. and NCLH and NCLC are tax residents of the U.K. The U.K. ceased to be a member state of the E.U. on January 31, 2020, commonly referred to as “Brexit,” and the transition period provided for in the withdrawal agreement entered by the U.K. and the E.U. ended on December 31, 2020. In December 2020, the U.K. and the E.U. agreed on a trade and cooperation agreement that will apply provisionally after the end of the transition period until it is ratified by the parties to the agreement. On December 31, 2020, the U.K. passed legislation giving effect to the trade and cooperation agreement, with the E.U. expected to formally adopt the agreement in early 2021. The trade and cooperation agreement covers the general objectives and framework of the relationship between the U.K. and the E.U., including as it relates to trade, transport, visas, judicial, law enforcement and security matters, and provides for continued participation in community programs and mechanisms for dispute resolution. Although we have an international customer base, we could be adversely affected by greater currency and economic volatility in the U.K. Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate. Any adjustments we make to our business and operations as a result of Brexit could result in significant time and expense to complete. Any of the foregoing factors could have an adverse effect on our business, results of operations, or financial condition.

***Fluctuations in foreign currency exchange rates could adversely affect our financial results.***

We earn revenues, pay expenses, purchase and own assets and incur liabilities in currencies other than the U.S. dollar; most significantly a portion of our revenue and expenses are denominated in foreign currencies, particularly British pound, Canadian dollar, euro and Australian dollar. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. The strengthening of the U.S. dollar against our other major currencies may adversely affect our U.S. dollar financial results and will reduce the U.S. dollar amount received upon conversion of these currencies into U.S. dollars.

We have historically and may in the future enter into ship construction contracts denominated in euros or other foreign currencies. While we have entered into foreign currency derivatives to manage a portion of the currency risk associated with such contracts, we are exposed to fluctuations in the euro exchange rate for the portions of the ship construction contracts that have not been hedged. Additionally, if the shipyard is unable to perform under the related ship construction contract, any foreign currency hedges that were entered into to manage the currency risk would need to be terminated.

***Overcapacity in key markets or globally could adversely affect our operating results.***

We continue to expand our fleet through our newbuild program and expect to add nine additional ships to our fleet through 2027. Our competitors have also announced similar expansions to their fleets. These increases in capacity in the cruise industry globally and potential overcapacity in certain key markets may cause us to lower pricing, which would reduce profitability and adversely affect our results of operations. Additionally, older ships in our fleet may not be as competitive as new ships enter the market and we may not be able to sell such older ships at optimal prices.

***Our expansion into and investments in new markets may not be successful.***

We believe there remains significant opportunity to expand our passenger sourcing into major markets in the future, such as Europe and Australia, as well as into emerging markets and to expand our itineraries in new markets. Expansion into new markets requires significant levels of investment and attention from management. There can be no assurance that these markets will develop as anticipated or that we will have success in these markets, and if we do not, we may be unable to recover our investment spent to expand our business into these markets and may forgo opportunities in more lucrative markets, which could adversely impact our business, financial condition and results of operations.

***Our inability to obtain adequate insurance coverage may adversely affect our business, financial condition and results of operations.***

There can be no assurance that our risks are fully insured against or that any particular claim will be fully paid by our insurance. Such losses, to the extent they are not adequately covered by contractual remedies or insurance, could affect our financial results. In addition, we have been and continue to be subject to calls, or premiums, in amounts based not only on our own claim records, but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity coverage for tort liability. Our payment of these calls and increased premiums could result in significant expenses to us. If we, or other members of our protection and indemnity associations, were to sustain significant losses in the future, our ability to obtain insurance coverage at commercially reasonable rates or at all could be materially adversely affected. For example, in the past our protection and indemnity associations have increased certain deductibles and determined not to cover certain categories of claims. Moreover, irrespective of the occurrence of such events, there can still be no assurance that we will be able to obtain adequate insurance coverage at commercially reasonable rates or at all.

***Litigation, enforcement actions, fines or penalties could adversely impact our financial condition or results of operations and damage our reputation.***

Our business is subject to various U.S. and international laws and regulations that could lead to enforcement actions, fines, civil or criminal penalties or the assertion of litigation claims and damages. In addition, improper conduct by our employees or agents could damage our reputation and/or lead to litigation or legal proceedings that could result in civil or criminal penalties, including substantial monetary fines. In certain circumstances, it may not be economical to defend against such matters, and a legal strategy may not ultimately result in us prevailing in a matter. Such events could lead to an adverse impact on our financial condition or results of operations.

As a result of any ship-related or other incidents, litigation claims, enforcement actions and regulatory actions and investigations, including, but not limited to, those arising from personal injury, loss of life, loss of or damage to personal property, business interruption losses or environmental damage to any affected coastal waters and the surrounding area, may be asserted or brought against various parties, including us and/or our cruise brands. The time and attention of our management may also be diverted in defending such claims, actions and investigations. Subject to applicable insurance coverage, we may also incur costs both in defending against any claims, actions and investigations and for any judgments, fines, civil or criminal penalties if such claims, actions or investigations are adversely determined.

The U.S. Government announced that, effective May 2, 2019, it will no longer suspend the right of private parties to bring litigation under Title III of the Cuban Liberty and Solidarity (Libertad) Act of 1996, popularly known as the Helms-Burton Act, allowing certain individuals whose property was confiscated by the Cuban government beginning in 1959 to sue anyone who "traffics" in the property in question in U.S. courts. A claim against us is pending and additional claims may be brought against us in the future. If these suits are successful, they could result in substantial monetary damages against the Company. Lawsuits and investigations stemming from COVID-19 have also been brought against us, and we may be subject to additional lawsuits and investigations related to COVID-19 in the future. 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.

***Our inability to recruit or retain qualified personnel or the loss of key personnel or employee relations issues may materially adversely affect our business, financial condition and results of operations.***

We must continue to recruit, retain and motivate management and other employees in order to maintain our current business and support our projected growth. We need to hire and train a considerable number of qualified crew members to staff the ships that will be joining our fleet in the coming years. This may require significant efforts on the part of our management team, and our inability to hire a sufficient number of qualified crew members would adversely affect our business. Currently, we are a party to collective bargaining agreements with certain crew members. Any future amendments to such collective bargaining agreements or inability to satisfactorily renegotiate such agreements may increase our labor costs and have a negative impact on our financial condition. In addition, although our collective bargaining agreements have a no-strike provision, they may not prevent a disruption in work on our ships in the future. Any such disruptions in work could have a material adverse effect on our financial results.

Our executive officers and other members of senior management have substantial experience and expertise in our business and have made significant contributions to our growth and success. The unexpected loss of services of one or more of these individuals could materially adversely affect us.

The impacts of and uncertainty related to the COVID-19 pandemic may make it more difficult to retain crew members to re-staff our fleet once we resume operations and to recruit new employees generally.

***We rely on third parties to provide hotel management services for certain ships and certain other services, and we are exposed to risks facing such providers. In certain circumstances, we may not be able to replace such third parties or we may be forced to replace them at an increased cost to us.***

We rely on external third parties to provide hotel management services for certain ships and certain other services that are vital to our business. If these service providers suffer financial hardship or are otherwise unable to continue providing such services, we cannot guarantee that we will be able to replace such service providers in a timely manner, which may cause an interruption in our operations. To the extent that we are able to replace such service providers, we may be forced to pay an increased cost for equivalent services. Both the interruption of operations and the replacement of the third-party service providers at an increased cost could adversely impact our financial condition and results of operations.

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

Our business continues to demand the use of sophisticated systems and technology. These systems and technologies must be refined, updated and replaced with more advanced systems on a regular basis in order for us to meet our customers' demands and expectations. If we are unable to do so on a timely basis or within reasonable cost parameters, or if we are unable to appropriately and timely train our employees to operate any of these new systems, our business could suffer. We also may not achieve the benefits that we anticipate from any new system or technology, such as fuel abatement technologies, and a failure to do so could result in higher than anticipated costs or could impair our operating results.

#### **Risks Related to the Regulatory Environment in Which We Operate**

***Future changes in applicable tax laws, or our inability to take advantage of favorable tax regimes, could increase the amount of taxes we must pay.***

We believe and have taken the position that our income that is considered to be derived from the international operation of ships as well as certain income that is considered to be incidental to such income ("shipping income"), is exempt from U.S. federal income taxes under Section 883, based upon certain assumptions as to shareholdings and other information as more fully described in "Item 1—Business—Taxation." The provisions of Section 883 are subject to change at any time, possibly with retroactive effect.

We believe and have taken the position that substantially all of our income derived from the international operation of ships is properly categorized as shipping income and that we do not have a material amount of non-qualifying income. It is possible, however, that a much larger percentage of our income does not qualify (or will not qualify) as shipping income. Moreover, the exemption for shipping income is only available for years in which NCLH will satisfy complex

stock ownership tests or the publicly traded test under Section 883 as described in “Item 1—Business—Taxation—Exemption of International Shipping Income under Section 883 of the Code.” There are factual circumstances beyond our control, including changes in the direct and indirect owners of NCLH’s ordinary shares, which could cause us or our subsidiaries to lose the benefit of this tax exemption. Finally, any changes in our operations could significantly increase our exposure to either the Net Tax Regime or the 4% Regime (each as defined in “Item 1—Business—Taxation”), and we can give no assurances on this matter.

If we or any of our subsidiaries were not to qualify for the exemption under Section 883, our or such subsidiary’s U.S.-source income would be subject to either the Net Tax Regime or the 4% Regime (each as defined in “Item 1—Business—Taxation”). As of the date of this filing, we believe that NCLH and its subsidiaries will satisfy the publicly traded test imposed under Section 883 and therefore believe that NCLH will qualify for the exemption under Section 883. However, as discussed above, there are factual circumstances beyond our control that could cause NCLH to not meet the stock ownership or publicly traded tests. Therefore, we can give no assurances on this matter. We refer you to “Item 1—Business—Taxation.”

We may be subject to state, local and non-U.S. income or non-income taxes in various jurisdictions, including those in which we transact business, own property or reside. We may be required to file tax returns in some or all of those jurisdictions. Our state, local or non-U.S. tax treatment may not conform to the U.S. federal income tax treatment discussed above. We may be required to pay non-U.S. taxes on dispositions of foreign property or operations involving foreign property that may give rise to non-U.S. income or other tax liabilities in amounts that could be substantial.

The various tax regimes to which we are currently subject result in a relatively low effective tax rate on our worldwide income. These tax regimes, however, are subject to change, possibly with retroactive effect. For example, legislation has been proposed in the past that would eliminate the benefits of the exemption from U.S. federal income tax under Section 883 and subject all or a portion of our shipping income to taxation in the U.S. Moreover, we may become subject to new tax regimes and may be unable to take advantage of favorable tax provisions afforded by current or future law, including exemption of branch profits and dividend withholding taxes under the U.S. – U.K. Income Tax Treaty on income derived in respect of our U.S.-flagged operation.

***We are subject to complex laws and regulations, including environmental, health and safety, labor, data privacy and protection and maritime laws and regulations, which could adversely affect our operations and any changes in the current laws and regulations could lead to increased costs or decreased revenue.***

Increasingly stringent and complex international, federal, state, and local laws and regulations addressing environmental protection and health and safety of workers could affect our operations. The IMO, a United Nations agency with responsibility for the safety and security of shipping and the prevention of marine pollution by ships, the Council of the European Union, individual countries, the United States, and individual states have implemented and are considering, new laws and rules to manage cruise ship operations. Many aspects of the cruise industry are subject to international treaties such as SOLAS, an international safety regulation, MARPOL, IMO’s requirements governing environmental protection, and STCW, an IMO regulation governing ship manning. In the United States, the Environmental Protection Agency and the U.S. Coast Guard both have regulations addressing cruise ship operations.

The U.S. and various state and foreign government and regulatory agencies have enacted or are considering new environmental regulations and policies aimed at reducing the threat of invasive species in ballast water, requiring the use of low-sulfur fuels, requiring the use of shore power while in port, increasing fuel efficiency requirements and further restricting emissions, including those of green-house gases, and improving sewage and greywater-handling capabilities. Compliance with such laws and regulations may entail significant expenses for ship modification and changes in operating procedures, including limitations on our ability to operate in certain locations, which could adversely impact our operations as well as our competitors’ operations.

The International Labor Organization’s Maritime Labor Convention, 2006 regulates many aspects of maritime crew labor and impacts the worldwide sourcing of new crew members. MARPOL regulations have established special Emission Control Areas (“ECAs”) with stringent limitations on sulfur and nitrogen oxide emissions from fuel burning aboard ships. Ships operating in designated ECAs (which include the Baltic Sea, the North Sea/English Channel, and

many of the waters within 200 nautical miles of the U.S. and Canadian coasts including the Hawaiian Islands and waters surrounding Puerto Rico and the U.S. Virgin Islands) are generally expected to meet the new sulfur oxide emissions limits through the use of low-sulfur fuels or installation of exhaust gas cleaning systems.

These issues are, and we believe will continue to be, areas of focus by the relevant authorities throughout the world. This could result in the enactment of more stringent regulation of cruise ships that would subject us to increasing compliance costs in the future. Some environmental groups continue to lobby for more extensive oversight of cruise ships and have generated negative publicity about the cruise industry and its environmental impact.

In the past, states have implemented taxes that impact the cruise industry. It is possible that other states, countries or ports of call that our ships regularly visit may also decide to assess new taxes or fees or change existing taxes or fees specifically applicable to the cruise industry and its employees and/or guests, which could increase our operating costs and/or could decrease the demand for cruises.

***Our ability to comply with economic substance requirements in certain jurisdictions and increased costs and efforts associated with our efforts to comply may have a negative impact on our operations.***

Our Company and certain of its subsidiaries may be subject to economic substance requirements in their jurisdictions of formation, including Bermuda, Guernsey, Isle of Man, British Virgin Islands, Cayman Islands and the Bahamas. Pursuant to the legislation passed in each jurisdiction, entities subject to each jurisdiction's laws that carry out relevant activities as specified in such laws, are required to demonstrate substantial economic substance in that jurisdiction. In general terms, substantial economic substance means: (i) the entity is actually directed and managed in the jurisdiction; (ii) core income-generating activities relating to the applicable relevant activity are performed in the jurisdiction; (iii) there are adequate employees in the jurisdiction; (iv) the entity maintains adequate physical presence in the jurisdiction; and (v) there is adequate operating expenditure in the jurisdiction. We have evaluated the activities of NCLH, NCLC and their subsidiaries and have concluded that in some cases, those activities are 'relevant activities' for the purposes of the applicable economic substance laws and that, consequently, certain entities within our organization will be required to demonstrate compliance with these economic substance requirements. We may be subject to increased costs and our management team may be required to devote significant time to satisfying economic substance requirements in certain of these jurisdictions. If such entities cannot establish compliance with these requirements, we may be liable to penalties and fines in the applicable jurisdictions and/or required to re-domicile such entities to different jurisdictions that may have tax regimes and other regulatory regimes which may be less favorable.

#### **Risks Related to NCLH's Ordinary Shares**

***Shareholders of NCLH may have greater difficulties in protecting their interests than shareholders of a U.S. corporation.***

We are a Bermuda exempted company. The Companies Act 1981 of Bermuda (the "Companies Act"), which applies to NCLH, differs in material respects from laws generally applicable to U.S. corporations and their shareholders. Taken together with the provisions of NCLH's bye-laws, some of these differences may result in you having greater difficulties in protecting your interests as a shareholder of NCLH than you would have as a shareholder of a U.S. corporation. This affects, among other things, the circumstances under which transactions involving an interested director are voidable, whether an interested director can be held accountable for any benefit realized in a transaction with our Company, what approvals are required for business combinations by our Company with a large shareholder or a wholly-owned subsidiary, what rights you may have as a shareholder to enforce specified provisions of the Companies Act or NCLH's bye-laws, and the circumstances under which we may indemnify our directors and officers.

***NCLH does not expect to pay any cash dividends for the foreseeable future.***

NCLH does not currently pay dividends to its shareholders and NCLH's Board of Directors may never declare a dividend. Our existing debt agreements restrict, and any of our future debt arrangements may restrict, among other things, the ability of NCLH's subsidiaries, including NCLC, to pay distributions to NCLH and NCLH's ability to pay cash dividends to its shareholders. In addition, any determination to pay dividends in the future will be entirely at the

discretion of NCLH's Board of Directors and will depend upon our results of operations, cash requirements, financial condition, business opportunities, contractual restrictions, restrictions imposed by applicable law and other factors that NCLH's Board of Directors deems relevant. We are not legally or contractually required to pay dividends. In addition, NCLH is a holding company and would depend upon its subsidiaries for their ability to pay distributions to NCLH to finance any dividend or pay any other obligations of NCLH. Investors seeking dividends should not purchase NCLH's ordinary shares.

***Provisions in NCLH's constitutional documents may prevent or discourage takeovers and business combinations that NCLH's shareholders might consider to be in their best interests.***

NCLH's bye-laws contain provisions that may delay, defer, prevent or render more difficult a takeover attempt that its shareholders consider to be in their best interests. For instance, these provisions may prevent NCLH's shareholders from receiving a premium to the market price of NCLH's shares offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of NCLH's shares if they are viewed as discouraging takeover attempts in the future. These provisions include (i) the ability of NCLH's Board of Directors to designate one or more series of preference shares and issue preference shares without shareholder approval; (ii) a classified board of directors; (iii) the sole power of a majority of NCLH's Board of Directors to fix the number of directors; (iv) the power of NCLH's Board of Directors to fill any vacancy on NCLH's Board of Directors in most circumstances, including when such vacancy occurs as a result of an increase in the number of directors or otherwise; and (v) advance notice requirements for nominating directors or introducing other business to be conducted at shareholder meetings.

Additionally, NCLH's bye-laws contain provisions that prevent third parties from acquiring beneficial ownership of more than 4.9% of its outstanding shares without the consent of NCLH's Board of Directors and provide for the lapse of rights, and sale, of any shares acquired in excess of that limit. The effect of these provisions may preclude third parties from seeking to acquire a controlling interest in NCLH in transactions that shareholders might consider to be in their best interests and may prevent them from receiving a premium above market price for their shares.

#### **Item 1B. Unresolved Staff Comments**

Not applicable.

#### **Item 2. Properties**

Information about our cruise ships may be found under "Item 1. Business—Our Fleet" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

NCLH's principal executive offices are located in Miami, Florida where we lease approximately 335,900 square feet of facilities.

We lease a number of domestic and international offices throughout Europe, Asia, South America and Australia to administer our brand operations globally. Norwegian owns a private island in the Bahamas, Great Stirrup Cay, which we utilize as a port-of-call on some of our itineraries. We operate a private cruise destination in Belize, Harvest Caye.

We believe that our facilities are adequate for our current needs, and that we are capable of obtaining additional facilities as necessary.

#### **Item 3. Legal Proceedings**

See "Item 8—Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 13 Commitments and Contingencies" in Part II of this annual report for information about legal proceedings.

**Item 4. Mine Safety Disclosures**

None.

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market Information

NCLH’s ordinary shares are listed on the NYSE under the symbol “NCLH.”

#### Holders

As of February 16, 2021, there were 276 record holders of NCLH’s ordinary shares. Since certain of NCLH’s ordinary shares are held by brokers and other institutions on behalf of shareholders, the foregoing number is not representative of the number of beneficial owners.

#### Dividends

NCLH does not currently pay dividends to its shareholders. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, financial condition, restrictions imposed by applicable law and our financing agreements and other factors that our Board of Directors deems relevant.

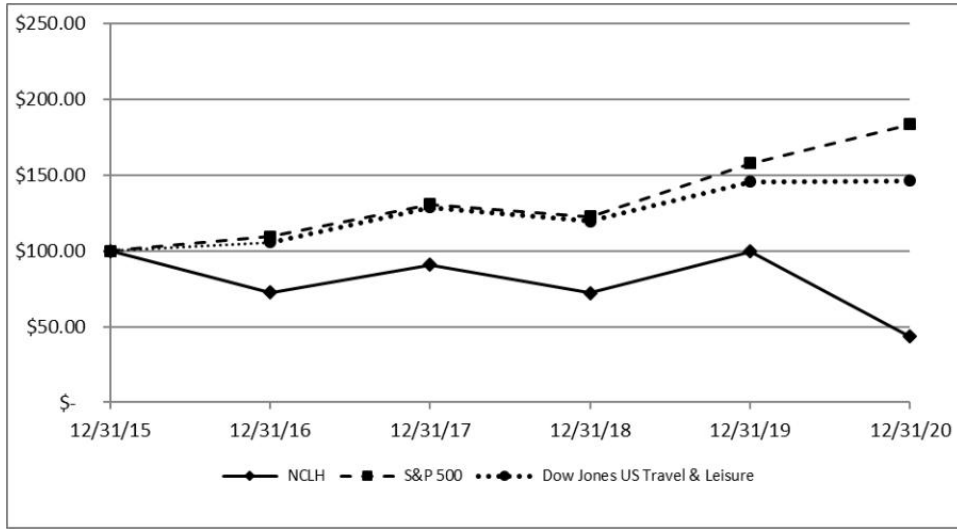
#### Stock Performance Graph

*This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of NCLH under the Securities Act of 1933, as amended, or the Exchange Act.*

The following graph shows a comparison of the cumulative total return for our ordinary shares, the Standard & Poor’s 500 Composite Stock Index and the Dow Jones United States Travel and Leisure index. The Stock Performance Graph assumes that \$100 was invested at the closing price of our ordinary shares on the Nasdaq and in each index on the last



trading day of fiscal 2015. Past performance is not necessarily an indicator of future results. The stock prices used were as of the close of business on the respective dates.



**Item 6. Selected Financial Data**

The following selected financial data should be read in conjunction with the consolidated financial statements and notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” appearing elsewhere in this annual report.

Our financial results have been negatively impacted by the COVID-19 pandemic, which has significantly affected and will continue to affect the comparability of the selected financial data. See Note 2 – “Summary of Significant Accounting Policies” to the Notes to the Consolidated Financial Statements included herein for additional information about COVID-19. Additionally, the consolidated financial statements as of December 31, 2019 include the impact of a change in accounting policy related the adoption of Accounting Standards Codification 842 – *Leases* on January 1, 2019. See Note 5 – “Leases” to the Notes to the Consolidated Financial Statements included herein for additional information about our leases.

		As of or for the Year Ended December 31,				
(in thousands, except share data, per share data and operating data)		2020	2019	2018	2017	2016
<b>Statement of operations data:</b>						
Total revenue	\$	1,279,908	\$ 6,462,376	\$ 6,055,126	\$ 5,396,175	\$ 4,874,340
Operating income (loss)	\$	(3,484,135)	\$ 1,178,077	\$ 1,219,061	\$ 1,048,819	\$ 925,464
Net income (loss)	\$	(4,012,514)	\$ 930,228	\$ 954,843	\$ 759,872	\$ 633,085
<b>EPS:</b>						
Basic	\$	(15.75)	\$ 4.33	\$ 4.28	\$ 3.33	\$ 2.79
Diluted	\$	(15.75)	\$ 4.30	\$ 4.25	\$ 3.31	\$ 2.78
Weighted-average shares outstanding:						
Basic		254,728,932	214,929,977	223,001,739	228,040,825	227,121,875
Diluted		254,728,932	216,475,076	224,419,205	229,418,326	227,850,286
<b>Balance sheet data:</b>						
Total assets	\$	18,399,317	\$ 16,684,599	\$ 15,205,970	\$ 14,094,869	\$ 12,973,911
Property and equipment, net	\$	13,411,226	\$ 13,135,337	\$ 12,119,253	\$ 11,040,488	\$ 10,117,689
Long-term debt, including current portion	\$	11,806,119	\$ 6,801,693	\$ 6,492,091	\$ 6,307,765	\$ 6,398,687
Total shareholders’ equity	\$	4,354,105	\$ 6,515,579	\$ 5,963,001	\$ 5,749,766	\$ 4,537,726
<b>Operating data:</b>						
Passengers carried		499,729	2,695,718	2,795,101	2,519,324	2,337,311
Passenger Cruise Days		4,278,602	20,637,949	20,276,568	18,523,030	17,588,707
Capacity Days		4,123,858	19,233,459	18,841,678	17,363,422	16,376,063
Occupancy Percentage		103.8 %	107.3 %	107.6 %	106.7 %	107.4 %

## **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

### **Financial Presentation**

*The following discussion and analysis contains forward-looking statements within the meaning of the federal securities laws, and should be read in conjunction with the disclosures we make concerning risks and other factors that may affect our business and operating results. You should read this information in conjunction with the consolidated financial statements and the notes thereto included in this annual report. See also “Cautionary Statement Concerning Forward-Looking Statements” immediately prior to Part I, Item 1 in this annual report.*

We categorize revenue from our cruise and cruise-related activities as either “passenger ticket” revenue or “onboard and other” revenue. Passenger ticket revenue and onboard and other revenue vary according to product offering, the size of the ship in operation, the length of cruises operated and the markets in which the ship operates. Our revenue is seasonal based on demand for cruises, which has historically been strongest during the Northern Hemisphere’s summer months; however, our cruise voyages were completely suspended during the last nine months of 2020 due to the COVID-19 pandemic and such suspension has been extended through May 31, 2021. Passenger ticket revenue primarily consists of revenue for accommodations, meals in certain restaurants on the ship, certain onboard entertainment, port fees and taxes and includes revenue for service charges and air and land transportation to and from the ship to the extent guests purchase these items from us. Onboard and other revenue primarily consists of revenue from casino, beverage sales, shore excursions, specialty dining, retail sales, spa services and photo services. Our onboard revenue is derived from onboard activities we perform directly or that are performed by independent concessionaires, from which we receive a share of their revenue.

Our cruise operating expense is classified as follows:

- Commissions, transportation and other primarily consists of direct costs associated with passenger ticket revenue. These costs include travel advisor commissions, air and land transportation expenses, related credit card fees, certain port fees and taxes and the costs associated with shore excursions and hotel accommodations included as part of the overall cruise purchase price.
- Onboard and other primarily consists of direct costs incurred in connection with onboard and other revenue, including casino, beverage sales and shore excursions.
- Payroll and related consists of the cost of wages and benefits for shipboard employees and costs of certain inventory items, including food, for a third party that provides crew and other hotel services for certain ships. The cost of crew repatriation, including charters, housing, testing and other costs related to COVID-19 are also included.
- Fuel includes fuel costs, the impact of certain fuel hedges and fuel delivery costs.
- Food consists of food costs for passengers and crew on certain ships.
- Other consists of repairs and maintenance (including Dry-dock costs), ship insurance and other ship expenses.

### **Critical Accounting Policies**

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our consolidated financial statements and the reported amounts of revenue and expenses during the periods presented. We rely on historical experience and on various other assumptions that we believe to be reasonable under the circumstances to make these estimates and judgments. Actual results could differ materially from these estimates. We believe that the following critical accounting policies reflect the significant estimates and assumptions used in the preparation of our consolidated

financial statements. These critical accounting policies, which are presented in detail in our notes to our audited consolidated financial statements, relate to liquidity, ship accounting and asset impairment.

### ***Liquidity***

We make several critical accounting estimates with respect to our liquidity.

Significant events affecting travel, including COVID-19, typically have an impact on 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 beyond the containment of the pandemic.

The estimation of our future cash flow projections includes numerous assumptions that are subject to various risks and uncertainties. Upon the relaunch of cruise voyages, our principal assumptions for future cash flow projections include:

- Expected gradual phased relaunch at reduced occupancy levels;
- Forecasted cash collections primarily upon completion of future voyages and the payment of cash refunds for any further cancellations, in accordance with the terms of our credit card processing agreements (see Note 13 - “Commitments and Contingencies”); and
- Expected incremental expenses for resumption of cruise voyages, including the maintenance of and compliance with additional health and safety protocols.

Due to the unknown duration and extent of the COVID-19 pandemic, travel restrictions, bans and advisories, uncertainties around our ability to comply with governmental regulations, the potential unavailability of ports and/or destinations, voyage cancellations and timing of redeployments, and a general impact on consumer sentiment regarding cruise travel, we cannot predict when we will relaunch voyages or when our full fleet will be back in service at historical occupancy levels. Until we are able to begin our phased relaunch, our projected liquidity requirements reflect our principal assumptions surrounding ongoing operating costs during the suspension of cruise voyages, as well as liquidity requirements for financing costs and necessary capital expenditures, and our ability to implement further cash conservation strategies, including, but not limited to:

- Moving our ships to minimum manning levels, which we expect would result in further reductions in crew payroll costs, fuel consumption, and maintenance costs;
- Further reductions in general operating expenses; and
- Further reductions in discretionary capital expenditures including cancellation or reduction in scope of certain Dry-docks.

We cannot make assurances that our assumptions used to estimate our liquidity requirements may not change because we have never experienced a complete cessation of our cruise voyages. Accordingly, the full effect of our suspension of cruise voyages on our financial performance and financial condition cannot be quantified at this time. We have made reasonable estimates and judgments of the impact of COVID-19 within our financial statements and there may be material changes to those estimates in future periods. The Company has taken and will continue to take proactive cost reduction and cash conservation measures to mitigate the financial and operational impacts of COVID-19, through the reduction of capital expenditures and operating expenses, deferral of ship milestone payments, amendments of debt agreements and capital market transactions.

### ***Ship Accounting***

Ships represent our most significant assets, and we record them at cost less accumulated depreciation. Depreciation of ships is computed on a straight-line basis over the weighted average useful lives of primarily 30 years after a 15% reduction for the estimated residual value of the ship. 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. When we record the retirement of a ship component included within the ship's cost basis, we estimate the net book value of the component being retired and remove it from the ship's cost basis. Repairs and maintenance activities are charged to expense as incurred. We account for Dry-dock costs under the direct expense method which requires us to expense all Dry-dock costs as incurred.

We determine the weighted average useful lives of our ships based primarily on our estimates of the useful lives of the ships' major component systems on the date of acquisition, such as cabins, main diesels, main electric, superstructure and hull. 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. Given the large and complex nature of our ships, our accounting estimates related to ships and determinations of ship improvement costs to be capitalized require judgment and are uncertain. Should certain factors or circumstances cause us to revise our estimate of ship service lives or projected residual values, depreciation expense could be materially lower or higher. In 2020, one ship had significant improvements that extended the remaining weighted average useful life of the vessel. Accordingly, we have updated our estimate of both its useful life and residual value based on the new weighted average useful life of its current components. The impact of the change in estimate is accounted on a prospective basis and is not material.

If circumstances cause us to change our assumptions in making determinations as to whether ship improvements should be capitalized, the amounts we expense each year as repairs and maintenance costs could increase, partially offset by a decrease in depreciation expense. If we reduced our estimated weighted average 30-year ship service life by one year, depreciation expense for the year ended December 31, 2020 would have increased by \$19.8 million. In addition, if our ships were estimated to have no residual value, depreciation expense for the same period would have increased by \$99.6 million. We believe our estimates for ship accounting are reasonable and our methods are consistently applied. We believe that depreciation expense is based on a rational and systematic method to allocate our ships' costs to the periods that benefit from the ships' usage.

### ***Asset Impairment***

We review our long-lived assets, principally ships, for impairment 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. For ship impairment analyses, the lowest level for which identifiable cash flows are largely independent of other assets and liabilities is each individual ship. 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 the estimated expected undiscounted future cash flows, we measure the amount of the impairment by comparing the carrying amount of the asset to its estimated 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.

We evaluate goodwill and trade names for impairment on December 31 or more frequently when an event occurs or circumstances change that indicates the carrying value of a reporting unit may not be recoverable. For our evaluation of goodwill, 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 estimated fair value of a reporting unit is less than its carrying value. For trade names we also provide a qualitative assessment to determine if there is any indication of impairment.

In order to make this evaluation, we consider whether any of the following factors or conditions exist:

- 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 negative 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 estimated fair value of each reporting unit to its carrying value, including goodwill. This is called the Step 1 Test which uses discounted future cash flows and other market data to determine the estimated fair value of the reporting units. Our discounted cash flow valuation reflects our principal assumptions of 1) forecasted future operating results and growth rates, which have been prepared under multiple scenarios and are probability weighted, 2) forecasted capital expenditures for fleet growth and ship improvements and 3) a weighted average cost of capital of market participants. Historically, our Step 1 Test consisted of a combined approach using discounted future cash flows and market multiples to determine the estimated fair value of the reporting units. However, beginning with the Step 1 Test performed as of March 31, 2020 as a result of triggering events, the market multiples were used solely as a corroboratory approach given the impact of COVID-19 on the current year's results, as of the valuation date, as well as prospective results including the lack of any guidance provided, which were not available for our peers. We concluded that this approach is the most representative method to estimate fair value as it utilizes expectations of long-term growth as well as current market conditions. For the trade names, we use the relief from royalty method, which uses the same forecasts and discount rates from the discounted cash flow valuation in the goodwill assessment along with a trade name royalty rate assumption.

We have concluded that our business has three 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.

During the year ended December 31, 2020, we recognized a goodwill impairment loss of \$1.3 billion based on the impairment test performed as of March 31, 2020. See Note 4 – "Goodwill and Intangible Assets" for additional information. As of December 31, 2020, there was \$98.1 million of goodwill remaining for the Regent Seven Seas reporting unit. We also recognized an impairment loss for our Oceania Cruises and Regent Seven Seas Cruises trade names in an aggregate amount of \$317.0 million based on the March 31, 2020 impairment test, with \$500.5 million remaining as of December 31, 2020. For our 2020 annual goodwill and trade name impairment evaluations, we elected to perform quantitative testing. Based on the results of the Step 1 Tests at December 31, 2020, we determined there was no further impairment of goodwill because the estimated fair value of the Regent Seven Seas reporting unit substantially exceeded the carrying value. We also determined there was no impairment to our trade names. We believe that we have made reasonable estimates and judgments. However, a change in our estimated future operating cash flows may result in a decline in estimated fair value in future periods, which may result in a need to recognize additional impairment charges.

## Non-GAAP Financial Measures

We use certain non-GAAP financial measures, such as Net Cruise Cost, Adjusted Net Cruise Cost Excluding Fuel, Adjusted EBITDA, Adjusted Net Income and Adjusted EPS, to enable us to analyze our performance. See “Terms Used in this Annual Report” for the definitions of these and other non-GAAP financial measures. We utilize Net Cruise Cost and Adjusted Net Cruise Cost Excluding Fuel to manage our business on a day-to-day basis. In measuring our ability to control costs in a manner that positively impacts net income, we believe changes in Net Cruise Cost and Adjusted Net Cruise Cost Excluding Fuel to be the most relevant indicators of our performance. As a result of our voluntary suspension of sailings during the last nine months of 2020, we did not have any Capacity Days in those periods. Accordingly, we have not presented herein per Capacity Day data for the year ended December 31, 2020.

As our business includes the sourcing of passengers and deployment of vessels outside of the U.S., a portion of our revenue and expenses are denominated in foreign currencies, particularly British pound, Canadian dollar, euro and Australian dollar which are subject to fluctuations in currency exchange rates versus our reporting currency, the U.S. dollar. In order to monitor results excluding these fluctuations, we calculate certain non-GAAP measures on a Constant Currency basis, whereby current period revenue and expenses denominated in foreign currencies are converted to U.S. dollars using currency exchange rates of the comparable period. We believe that presenting these non-GAAP measures on both a reported and Constant Currency basis is useful in providing a more comprehensive view of trends in our business.

We believe that Adjusted EBITDA is appropriate as a supplemental financial measure as it is used by management to assess operating performance. We also believe that Adjusted EBITDA is a useful measure in determining our performance as it reflects certain operating drivers of our business, such as sales growth, operating costs, marketing, general and administrative expense and other operating income and expense. Adjusted EBITDA is not a defined term under GAAP nor is it intended to be a measure of liquidity or cash flows from operations or a measure comparable to net income, as it does not take into account certain requirements such as capital expenditures and related depreciation, principal and interest payments and tax payments and it includes other supplemental adjustments.

In addition, Adjusted Net Income and Adjusted EPS are non-GAAP financial measures that exclude certain amounts and are used to supplement GAAP net income and EPS. We use Adjusted Net Income and Adjusted EPS as key performance measures of our earnings performance. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate management’s internal comparison to our historical performance. In addition, management uses Adjusted EPS as a performance measure for our incentive compensation. The amounts excluded in the presentation of these non-GAAP financial measures may vary from period to period; accordingly, our presentation of Adjusted Net Income and Adjusted EPS may not be indicative of future adjustments or results. For example, for the year ended December 31, 2019, we incurred \$30.6 million related to the redeployment of Norwegian Joy from Asia to the U.S. We included this as an adjustment in the reconciliation of Adjusted Net Income since the expenses are not representative of our day-to-day operations; however, this adjustment did not occur and is not included in the comparative period presented within this Form 10-K.

You are encouraged to evaluate each adjustment used in calculating our non-GAAP financial measures and the reasons we consider our non-GAAP financial measures appropriate for supplemental analysis. In evaluating our non-GAAP financial measures, you should be aware that in the future we may incur expenses similar to the adjustments in our presentation. Our non-GAAP financial measures have limitations as analytical tools, and you should not consider these measures in isolation or as a substitute for analysis of our results as reported under GAAP. Our presentation of our non-GAAP financial measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our non-GAAP financial measures may not be comparable to other companies. Please see a historical reconciliation of these measures to the most comparable GAAP measure presented in our consolidated financial statements below in the “Results of Operations” section.

## **Update Regarding COVID-19 Pandemic**

### ***Suspension of Cruise Voyages***

Due to the continued spread of COVID-19, evolving travel restrictions and limited access to ports around the world, in March 2020, we implemented a voluntary suspension of all cruise voyages across our three brands, which has subsequently been extended through May 31, 2021. 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. The duration of any voluntary suspensions we have implemented and the resumption of operations both inside and outside of the United States will be dependent, in part, on our ability to comply with the Conditional Order, the severity and duration of the COVID-19 global pandemic, including further resurgences and new variants of COVID-19, the availability, distribution and efficacy of vaccines and therapeutics for COVID-19, the lifting of various travel restrictions and travel bans issued by various countries and communities around the world, as well as the availability of ports. For more information on the impact of COVID-19 on our business, see “Impact of COVID-19” and “Strategy for COVID-19” in Part I Item 1-Business in this annual report on Form 10-K.

### ***Modified Policies***

Our brands have launched new cancellation policies for certain sailings booked during certain time periods to permit our guests to cancel cruises which were not part of our temporary suspension of voyages up to 15 days prior to embarkation and receive a refund in the form of a credit to be applied toward a future cruise. The future cruise credits issued under these programs are valid for any sailing through December 31, 2022, and we may extend the length of time these future cruise credits may be redeemed. The use of such credits may prevent us from garnering certain 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. We may incur incremental commission expense for the use of these future cruise credits. In addition, to provide more flexibility to our guests, we have also extended our modified final payment schedule for all voyages on Regent Seven Seas Cruises through July 31, 2021 and for voyages on Oceania Cruises and for the majority of bookings for voyages on Norwegian Cruise Line through October 31, 2021 which now requires payment 60 days prior to embarkation versus the standard 120 days. Our brands currently expect to provide cash refunds for cash bookings for future sailings we may cancel.

### ***Update on Bookings***

While overall booking volumes since the emergence of the COVID-19 global pandemic remain below historical levels, there continues to be demand for future cruise vacations. Despite reduced sales and marketing investments, and a travel agency industry that has not been at full strength for months, bookings have been strong for future periods resulting in an elongated booking window as guests book further into the future. The Company’s overall cumulative booked position for the second half of 2021 remains below historical levels, driven by continued uncertainty around timing of the resumption of cruising and the shift of limited marketing investments to 2022 sailings. Pricing for the second half of 2021 is in line with pre-pandemic levels, even after including the dilutive impact of future cruise credits. While still early in the booking cycle, 2022 booking trends are very positive driven by strong pent up demand. The overall cumulative booked position for the first half of 2022 is significantly ahead of 2019’s record levels with pricing in line when excluding the dilutive impact of future cruise credits and down including the dilutive future cruise credits. Our operations may be suspended beyond our announced suspensions and as a result, current booking data may not be informative. In addition, because of our updated cancellation policies, bookings may not be representative of actual cruise revenues.

The ongoing effects of the COVID-19 pandemic on our operations and global bookings have had, and we believe they will continue to have, a significant impact on our financial results and liquidity, and such negative impact may continue well beyond the containment of the pandemic. 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. Due to the unknown duration and extent of the COVID-19 pandemic, uncertainty surrounding the availability of COVID-19 vaccines and therapeutics, travel restrictions and advisories, uncertainties around our ability to comply with the Conditional Order, the potential unavailability of ports and/or



destinations, unknown cancellations and timing of redeployments and a general impact on consumer sentiment regarding cruise travel, there are remaining uncertainties about when our full fleet will be back in service at historical occupancy levels and, accordingly, we cannot estimate the impact on our business, financial condition or near- or longer-term financial or operational results with certainty; however, we will report a net loss for the quarter ending March 31, 2021 and expect to report a net loss until we are able to resume voyages.

#### ***Financing Transactions and Cost Containment Measures***

In March 2020, NCLC borrowed the full amount of \$1.55 billion under its existing \$875 million Revolving Loan Facility and its then existing \$675 million Epic Credit Facility. Since March 2020, we have taken several actions to bolster our financial position while our global cruise voyages are currently suspended, including a series of debt and equity financing transactions completed in May, July, November and December 2020. In May 2020, NCLH and NCLC launched a series of capital markets transactions and raised approximately \$2.4 billion, including the full exercise of options to purchase additional ordinary shares and exchangeable notes. In July 2020, NCLH and NCLC launched a series of capital markets transactions and raised approximately \$1.5 billion, including the full exercise of the option to purchase additional ordinary shares and partial exercise of the option to purchase additional exchangeable notes. From the proceeds, approximately \$675 million was used to repay the Epic Credit Facility, which was terminated in July 2020. In November 2020, NCLH launched an offering of ordinary shares and raised \$824 million. In December 2020, NCLC launched an offering of its 5.875% Senior Notes due 2026 (the “2026 Senior Unsecured Notes”) and raised approximately \$850 million.

We have also undertaken several proactive cost reduction and cash conservation measures to mitigate the financial and operational impacts of the COVID-19 pandemic, through the reduction of capital expenditures as well as a reduction in operating expenses, including ship operating expenses and selling, general and administrative expenses. Cost savings initiatives to reduce selling, general and administrative expenses already implemented include the significant reduction or deferral of marketing expenditures, the implementation of hiring freezes, a 20% salary or hours reduction for certain shoreside team members, a pause in our 401(k) matching contributions and corporate travel freezes for shoreside employees. We have returned certain shoreside team members to full salary and hours and expect to continue to do so over time as we prepare to resume cruise voyages. Further, as part of our ongoing strategy to improve our ability to sustain the long-term health of the business and to preserve financial flexibility during the COVID-19 crisis, we have furloughed certain shoreside employees, subject to change based on 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.

See “—Liquidity and Capital Resources” below for more information.

#### **Executive Overview**

The ongoing effects of COVID-19 on our operations and global bookings have had a significant adverse effect on our results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019.

Total revenue decreased 80.2% to \$1.3 billion for the year ended December 31, 2020 compared to \$6.5 billion for the year ended December 31, 2019. Capacity Days decreased by 78.6%.

For the year ended December 31, 2020, we had net loss and diluted EPS of \$(4.0) billion and \$(15.75), respectively. For the year ended December 31, 2019, we had net income and diluted EPS of \$930.2 million and \$4.30, respectively. Operating income (loss) decreased 395.7% to \$(3.5) billion for the year ended December 31, 2020 from \$1.2 billion for the year ended December 31, 2019.

We had Adjusted Net Loss and Adjusted EPS of \$(2.2) billion and \$(8.64), respectively, for the year ended December 31, 2020, including \$1.8 billion of adjustments primarily consisting of expenses related to non-cash share-based compensation, losses on the extinguishment and modification of debt and impairment losses, compared to Adjusted Net Income and Adjusted EPS of \$1.1 billion and \$5.09, respectively, for the year ended December 31, 2019.

A 154.0% decrease in Adjusted EBITDA was incurred for the same period. We refer you to our “Results of Operations” below for a calculation of Adjusted Net Income (Loss), Adjusted EPS and Adjusted EBITDA.

### Results of Operations

The discussion below compares the results of operations for the year ended December 31, 2020 to the year ended December 31, 2019. For a comparison of the Company’s results of operations for the fiscal years ended December 31, 2019 to the year ended December 31, 2018, see “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the U.S. Securities and Exchange Commission on February 27, 2020.

We reported total revenue, total cruise operating expense, operating income and net income as follows (in thousands, except per share data):

	Year Ended December 31,	
	2020	2019
Total revenue	\$ 1,279,908	\$ 6,462,376
Total cruise operating expense	\$ 1,693,061	\$ 3,663,261
Operating income (loss)	\$ (3,484,135)	\$ 1,178,077
Net income (loss)	\$ (4,012,514)	\$ 930,228
EPS:		
Basic	\$ (15.75)	\$ 4.33
Diluted	\$ (15.75)	\$ 4.30

The following table sets forth operating data as a percentage of total revenue:

	Year Ended December 31,	
	2020	2019
<b>Revenue</b>		
Passenger ticket	67.7 %	69.9 %
Onboard and other	32.3 %	30.1 %
Total revenue	100.0 %	100.0 %
<b>Cruise operating expense</b>		
Commissions, transportation and other	29.7 %	17.4 %
Onboard and other	6.7 %	6.1 %
Payroll and related	40.7 %	14.3 %
Fuel	20.7 %	6.3 %
Food	5.1 %	3.4 %
Other	29.4 %	9.2 %
Total cruise operating expense	132.3 %	56.7 %
<b>Other operating expense</b>		
Marketing, general and administrative	58.2 %	15.1 %
Depreciation and amortization	56.1 %	10.0 %
Impairment loss	125.6 %	— %
Total other operating expense	239.9 %	25.1 %
Operating income (loss)	(272.2)%	18.2 %
<b>Non-operating income (expense)</b>		
Interest expense, net	(37.7)%	(4.2)%
Other income (expense), net	(2.6)%	0.1 %
Total non-operating income (expense)	(40.3)%	(4.1)%
<b>Net income (loss) before income taxes</b>	(312.5)%	14.1 %
<b>Income tax benefit (expense)</b>	(1.0)%	0.3 %
<b>Net income (loss)</b>	(313.5)%	14.4 %

The following table sets forth selected statistical information:

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Passengers carried	499,729	2,695,718
Passenger Cruise Days	4,278,602	20,637,949
Capacity Days	4,123,858	19,233,459
Occupancy Percentage	103.8 %	107.3 %

Gross Cruise Cost, Net Cruise Cost, Net Cruise Cost Excluding Fuel and Adjusted Net Cruise Cost Excluding Fuel were calculated as follows (in thousands, except Capacity Days and per Capacity Day data):

	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2020 Constant Currency</b>	<b>2019</b>
Total cruise operating expense	\$ 1,693,061	\$ 1,696,364	\$ 3,663,261
Marketing, general and administrative expense	745,345	744,999	974,850
Gross Cruise Cost	2,438,406	2,441,363	4,638,111
Less:			
Commissions, transportation and other expense	380,710	382,132	1,120,886
Onboard and other expense	85,678	85,678	394,673
Net Cruise Cost	1,972,018	1,973,553	3,122,552
Less: Fuel expense	264,712	264,712	409,602
Net Cruise Cost Excluding Fuel	1,707,306	1,708,841	2,712,950
<b>Less Non-GAAP Adjustments:</b>			
Non-cash deferred compensation (1)	2,665	2,665	2,135
Non-cash share-based compensation (2)	111,297	111,297	95,055
Severance payments and other fees (3)	—	—	6,514
Redeployment of Norwegian Joy (4)	—	—	7,051
Adjusted Net Cruise Cost Excluding Fuel	\$ 1,593,344	\$ 1,594,879	\$ 2,602,195
Capacity Days	4,123,858	4,123,858	19,233,459
Gross Cruise Cost per Capacity Day			\$ 241.15
Net Cruise Cost per Capacity Day			\$ 162.35
Net Cruise Cost Excluding Fuel per Capacity Day			\$ 141.05
Adjusted Net Cruise Cost Excluding Fuel per Capacity Day			\$ 135.30

- (1) Non-cash deferred compensation expenses related to the crew pension plan and other crew expenses, which are included in payroll and related expense.
- (2) Non-cash share-based compensation expense related to equity awards, which are included in marketing, general and administrative expense and payroll and related expense.
- (3) Severance payments related to restructuring costs are included in marketing, general and administrative expense.
- (4) Expenses related to the redeployment of Norwegian Joy from Asia to the U.S. and the closing of the Shanghai office, which are included in other cruise operating expense and marketing, general and administrative expense.

Adjusted Net Income (Loss) and Adjusted EPS were calculated as follows (in thousands, except share and per share data):

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net income (loss)	\$ (4,012,514)	\$ 930,228
<b>Non-GAAP Adjustments:</b>		
Non-cash deferred compensation (1)	3,967	3,514
Non-cash share-based compensation (2)	111,297	95,055
Severance payments and other fees (3)	—	6,514
Extinguishment and modification of debt (4)	27,795	16,676
Amortization of intangible assets (5)	9,831	18,414
Redeployment of Norwegian Joy (6)	—	30,629
Impairment loss (7)	1,633,337	—
Non-cash interest on beneficial conversion feature and payment-in-kind premium (8)	26,082	—
Adjusted Net Income (Loss)	<u>\$ (2,200,205)</u>	<u>\$ 1,101,030</u>
Diluted weighted-average shares outstanding - Net income (loss) and Adjusted Net Income (Loss)	<u>254,728,932</u>	<u>216,475,076</u>
Diluted earnings (loss) per share	<u>\$ (15.75)</u>	<u>\$ 4.30</u>
Adjusted EPS	<u>\$ (8.64)</u>	<u>\$ 5.09</u>

- (1) Non-cash deferred compensation expenses related to the crew pension plan and other crew expenses are included in payroll and related expense and other income (expense), net.
- (2) Non-cash share-based compensation expenses related to equity awards are included in marketing, general and administrative expense and payroll and related expense.
- (3) Severance payments related to restructuring costs are included in marketing, general and administrative expense.
- (4) Losses on extinguishments and modifications of debt are included in interest expense, net.
- (5) Amortization of intangible assets related to the Acquisition of Prestige are included in depreciation and amortization expense.
- (6) Expenses related to the redeployment of Norwegian Joy from Asia to the U.S. and the closing of the Shanghai office, which are included in other cruise operating expense, marketing, general and administrative expense and depreciation and amortization expense.
- (7) Impairment loss consists of goodwill, trade name and property and equipment impairments. The impairments of goodwill and trade names are included in impairment loss and the impairment of property and equipment is included in depreciation and amortization expense.
- (8) Non-cash interest expense related to a beneficial conversion feature recognized on our exchangeable notes and additional payment-in-kind interest recognized upon transfer to the debt principal, which is recognized in interest expense, net.

EBITDA and Adjusted EBITDA were calculated as follows (in thousands):

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net income (loss)	\$ (4,012,514)	\$ 930,228
Interest expense, net	482,313	272,867
Income tax (benefit) expense	12,467	(18,863)
Depreciation and amortization expense	717,840	646,188
EBITDA	(2,799,894)	1,830,420
Other (income) expense, net (1)	33,599	(6,155)
<b>Non-GAAP Adjustments:</b>		
Non-cash deferred compensation (2)	2,665	2,135
Non-cash share-based compensation (3)	111,297	95,055
Severance payments and other fees (4)	—	6,514
Redeployment of Norwegian Joy (5)	—	7,051
Impairment loss (6)	1,607,797	—
Adjusted EBITDA	<u>\$ (1,044,536)</u>	<u>\$ 1,935,020</u>

- (1) In 2020, primarily consists of gains and losses, net for forward currency exchanges and derivatives no longer designated as hedges. In 2019, primarily consists of gains and losses, net for forward currency exchanges and proceeds from insurance and litigation settlements.
- (2) Non-cash deferred compensation expenses related to the crew pension plan and other crew expenses are included in payroll and related expense.
- (3) Non-cash share-based compensation expense related to equity awards are included in marketing, general and administrative expense and payroll and related expense.
- (4) Severance payments related to restructuring costs are included in marketing, general and administrative expense.
- (5) Expenses related to the redeployment of Norwegian Joy from Asia to the U.S. and the closing of the Shanghai office, which are included in other cruise operating expense and marketing, general and administrative expense.
- (6) Impairment loss consists of goodwill and trade name impairments.

**Year Ended December 31, 2020 (“2020”) Compared to Year Ended December 31, 2019 (“2019”)**

***Revenue***

Total revenue decreased 80.2% to \$1.3 billion in 2020 compared to \$6.5 billion in 2019. The adverse impact on revenue was due to the cancellation of the vast majority of sailings in 2020 as a result of the COVID-19 pandemic, which resulted in a 78.6% decrease in Capacity Days.

***Expense***

Total cruise operating expense decreased 53.8% in 2020 compared to 2019. In 2020, our expenses subsequent to the suspension of voyages primarily included the cost of protected commissions and crew costs, including salaries, food and other repatriation costs; fuel; and other ongoing costs such as insurance and ship maintenance. To repatriate crew as fast as possible, the Company leveraged certain ships in its fleet to assist with the repatriation efforts along with utilizing scheduled chartered flights. Additionally, during the first quarter of 2020, there was a notable increase from 2019 in fuel expense associated with the International Maritime Organization’s 2020 regulations, and cruise operating expense increased due to the addition of Norwegian Encore and Seven Seas Splendor to the fleet. Gross Cruise Cost decreased 47.4% in 2020 compared to 2019, due to a decrease in total cruise operating expense described above in addition to a 23.5% decrease in marketing, general and administrative expenses primarily due to cost savings initiatives in connection with the COVID-19 pandemic as described under “Update Regarding COVID-19 Pandemic—Financing Transactions and Cost Containment Measures.” Total other operating expense increased 89.4% in 2020 compared to 2019 primarily due to the impairment of goodwill and trade names triggered by the COVID-19 pandemic. Depreciation and amortization expense also increased primarily due to the delivery of Norwegian Encore in the fourth quarter of 2019 and Seven Seas Splendor in the first quarter of 2020 as well as ship improvement projects.

Interest expense, net was \$482.3 million in 2020 compared to \$272.9 million in 2019. The increase in 2020 is driven by additional debt outstanding at higher interest rates, partially offset by lower LIBOR. In 2020, interest expense also reflects losses on extinguishment of debt and debt modification costs of \$27.8 million. 2019 included losses on extinguishment of debt and debt modification costs of \$16.7 million.

Other income (expense), net was expense of \$33.6 million in 2020 compared to income of \$6.2 million in 2019. Other expense in 2020 was primarily due to losses from foreign currency exchange and fuel hedges recognized in earnings as a result of the forecasted transactions no longer being probable or no longer designated as hedges. Other income in 2019 was primarily due to gains from insurance proceeds and a litigation settlement partially offset by losses on foreign currency exchange.

Income tax benefit (expense) was an expense of \$12.5 million in 2020 compared to a benefit of \$18.9 million in 2019. In 2020, the tax expense is primarily due to a valuation allowance of \$39.6 million recognized in the fourth quarter on certain net operating loss carryforwards partially offset by operating losses. During 2018, 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. As a result, we recorded a tax benefit of \$35.7 million in connection with the reversal of substantially all of the valuation allowance in 2019.

## **Liquidity and Capital Resources**

### ***General***

As of December 31, 2020, our liquidity was \$3.3 billion, consisting of cash and cash equivalents, and our working capital was \$1.6 billion. The increase in working capital is a result of the actions described below and is expected to decrease as advance ticket sales increase leading up to when we are able to resume voyages.

Since March 2020, we have taken several actions to bolster our financial condition while our global cruise voyages are suspended. In March 2020, NCLC borrowed the full amount of \$1.55 billion under its \$875 million Revolving Loan Facility and its then existing \$675 million Epic Credit Facility. The Epic Credit Facility was repaid in July 2020. Through December 31, 2020, the Company received additional financing through various debt financings and equity offerings totaling \$5.6 billion in gross proceeds. See Note 8 – “Long-Term Debt” for further information on the debt financings. The NCLH equity offerings in May, July and November 2020 resulted in 100,984,848 ordinary shares being issued, which does not include any ordinary shares that may be issued pursuant to our exchangeable notes. We have taken additional measures to improve our liquidity through deferring certain ship milestone payments, deferring certain debt amortization payments and extending certain maturities under other agreements, including under our agreements with export credit agencies and related governments. See Note 8 – “Long-Term Debt” for further information.

In January 2021, we amended our Senior Secured Credit Facility to further defer certain amortization payments prior to June 30, 2022 and to waive certain financial and other covenants through December 31, 2022. In connection with such amendment, our minimum liquidity requirement was increased to \$200 million and such requirement applies through December 31, 2022. Although the Pride of America Credit Facility and Jewel Credit Facility amortization was not deferred, we have entered into an amendment to each facility to waive certain financial and other covenants through the maturity dates of such facilities. The amendments to the Pride of America Credit Facility and Jewel Credit Facility also require us to maintain at least \$200 million in free liquidity for the duration of the covenant waiver period. In connection with the foregoing amendments, NCLC and its restricted subsidiaries’ ability to make certain investments, restricted payments, prepayments of certain indebtedness and certain asset sales has also been further restricted. The Company intends to refinance the Pride of America Credit Facility and Jewel Credit Facility as soon as practicable.

In addition, in February 2021, we amended certain of our export-credit backed facilities to defer amortization payments aggregating approximately \$680 million through March 31, 2022. We also amended all of our export-credit backed facilities to provide that, from the effective date of the amendments to and including December 31, 2022, certain of the financial covenants under such facilities will be suspended and the free liquidity test will be replaced by a covenant to maintain at least \$200 million in free liquidity. The amendments also made certain other changes to the facilities, including imposing further restrictions on NCLC’s ability to incur debt, create security, issue equity and make dividends

and other distributions. See Note 8 – “Long-Term Debt” for further information on amendments completed subsequent to December 31, 2020.

The Company has also undertaken several proactive cost reduction and cash conservation measures to mitigate the financial and operational impacts of the COVID-19 pandemic, through the reduction of capital expenditures and operating expenses, including food, fuel, insurance, port charges and reduced crew manning of vessels during the suspension, resulting in lower crew payroll expense. See “Update Regarding COVID-19 Pandemic—Financing Transactions and Cost Containment Measures” above for further information.

The Company's monthly average cash burn for the fourth quarter 2020 was approximately \$190 million and included approximately \$15 million per month of additional relaunch-related expenses as the Company began preparing vessels for a potential return to service in early 2021, in connection with the CDC Conditional Order, which did not materialize. The incremental relaunch costs were associated with crew re-staffing, re-positioning and provisioning of vessels, implementation of new health and safety protocols and a ramp-up of demand-generating marketing investments which helped further stimulate the strong future demand the Company is experiencing.

For the first quarter of 2021, the Company expects the average cash burn rate to temporarily remain elevated at approximately \$190 million per month, or approximately \$170 million per month excluding non-recurring debt modification costs, as it ramps down relaunch-related expenses and repatriates crew. The Company has incurred approximately \$60 million of one-time debt deferral and modification costs and fees in the first quarter of 2021 as a result of successful debt deferrals and covenant waivers and suspensions, which combined with newbuild payment extensions, have resulted in approximately \$1 billion of additional liquidity over the next 12 months. Once the ramp down of relaunch-related expenses are complete, the Company expects its average cash burn rate to decrease and remain at reduced levels until return to service preparations resume.

Cash burn rates include ongoing ship operating expenses, administrative operating expenses, interest expense, taxes and expected non-newbuild capital expenditures and excludes cash refunds of customer deposits as well as cash inflows from new and existing bookings, newbuild related capital expenditures and other working capital changes. Future cash burn rate estimates also exclude unforeseen expenses. The fourth quarter 2020 cash burn rate and first quarter 2021 estimate also reflect the deferral of debt amortization and newbuild related payments.

We continue to expect a gradual phased relaunch of our ships after the voyage suspension period, with our ships initially operating at reduced occupancy levels. The timing for bringing our ships back to service and the percentage of our fleet in service will depend on a number of factors including, but not limited to, the duration and extent of the COVID-19 pandemic, further resurgences and new variants of COVID-19, the availability, distribution, and efficacy of vaccines and therapeutics for COVID-19, our ability to comply with governmental regulations, port availability, travel restrictions, bans and advisories, and our ability to re-staff our ships and implement new health and safety protocols. The estimation of our future cash flow projections includes numerous assumptions that are subject to various risks and uncertainties. Until we are able to begin our phased relaunch, our projected liquidity requirements reflect our principal assumptions surrounding ongoing operating costs during the suspension of cruise voyages, as well as liquidity requirements for financing costs and necessary capital expenditures, and our ability to implement further cash conservation strategies. Refer to Note 2 – “Summary of Significant Accounting Policies” for further information on liquidity and management’s plan.

There can be no assurance that the accuracy of the assumptions used to estimate our liquidity requirements will be correct, and our ability to be predictive is uncertain due to the unknown magnitude and duration of the COVID-19 global pandemic. Based on the liquidity estimates and our current resources, we have concluded we have sufficient liquidity to satisfy our obligations for at least the next twelve months even in the event we do not resume cruise voyages during that period. Nonetheless, we anticipate that we will need additional equity and/or debt financing to fund our operations in the future, especially if our suspension of cruise voyages is prolonged.

At December 31, 2020, we were in compliance with all of our debt covenants. Subsequent to December 31, 2020, we have received certain financial and other debt covenant waivers through December 31, 2022 and added new free liquidity requirements. If we do not continue to remain in compliance with our covenants, we would have to seek to amend the 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.

Since March 2020, Moody's has downgraded our long-term issuer rating to B2, our senior secured rating to B1 and our senior unsecured rating to Caa1. Since April 2020, S&P Global has downgraded our issuer credit rating to B+, lowered our issue-level rating on our \$875 million Revolving Loan Facility and \$1.5 billion Term Loan A Facility to BB, our issue-level rating on our \$675 million 2024 Senior Secured Notes and \$750 million 2026 Senior Secured Notes to BB- and our senior unsecured rating to B. 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.

As of December 31, 2020, we had advance ticket sales of \$1.2 billion, including the long-term portion, which included approximately \$0.85 billion of future cruise credits. We also have agreements with our credit card processors that, as of December 31, 2020, governed approximately \$1.0 billion in advance ticket sales that had 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 would be satisfied by posting collateral. Although the agreements vary, these requirements may generally be satisfied either through a percentage of customer payments withheld or providing cash funds directly to the card processor. Any cash reserve or collateral requested could be increased or decreased.

As of December 31, 2020, we had a reserve of approximately \$200 million with a credit card processor recognized in other long-term assets, and in January 2021, we provided additional cash collateral of \$250 million. Additionally, we are required to fund all refunds until further notice and 100% of incoming advance ticket sales deposits with this credit card processor will be withheld and are not expected to be released until the credit card processor's exposure is fully collateralized. As of December 31, 2020, the exposure was approximately \$780 million. The reserve shortfall of approximately \$330 million, after taking into effect the January additional collateral provided, will decrease as refunds are funded, cruises are provided and amounts withheld by the credit card processor are allocated to the reserve rather than remitted to the Company. We may be required to find new credit card processors, pledge additional collateral and/or post cash reserves or take other actions that may further reduce our liquidity.

#### ***Sources and Uses of Cash***

***In this section, references to 2020 refer to the year ended December 31, 2020 and references to 2019 refer to the year ended December 31, 2019.***

Net cash used in operating activities was \$2.6 billion in 2020 compared to net cash provided by operating activities of \$1.8 billion in 2019. This decrease was due to the suspension of global cruise voyages during 2020. The net cash used in operating activities in 2020 included net loss of \$(4.0) billion, a decrease in advance ticket sales of \$811.8 million and timing differences in cash receipts and payments relating to various operating assets and liabilities, which was offset primarily by a \$1.6 billion impairment loss. The change in net cash provided by operating activities in 2019 includes net income of \$930.2 million as well as timing differences in cash receipts and payments relating to various operating assets and liabilities, including an increase in advance ticket sales of \$347.4 million.

Net cash used in investing activities was \$1.0 billion in 2020, primarily related to payments for the delivery of Seven Seas Splendor, ships under construction, ship improvement projects and shoreside projects. Net cash used in investing activities was \$1.7 billion in 2019, primarily related to payments for the delivery of Norwegian Encore, ships under construction, ship improvements and shoreside projects.

Net cash provided by financing activities was \$6.6 billion in 2020, primarily due to \$6.1 billion in proceeds from the issuance of debt and \$1.5 billion in proceeds from issuance of NCLH's ordinary shares. Net cash used in financing activities was \$53.4 million in 2019, primarily due to the repurchase of \$349.9 million of NCLH's ordinary shares, net

repayments of our Revolving Loan Facility and the net refinancing of term loans partially offset by the issuance of new debt.

For the Company's cash flow activities for the fiscal year ended December 31, 2018, see "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the U.S. Securities and Exchange Commission on February 27, 2020.

#### ***Future Capital Commitments***

Future capital commitments consist of contracted commitments, including ship construction contracts. After recent deferrals, anticipated expenditures related to ship construction contracts were \$0.4 billion, \$1.6 billion and \$2.5 billion for the years ending December 31, 2021, 2022 and 2023, respectively. The Company has export credit financing in place for the anticipated expenditures related to ship construction contracts of \$0.2 billion, \$0.8 billion and \$1.8 billion for the years ending December 31, 2021, 2022 and 2023, respectively. Subsequent to December 31, 2020, we also have a memorandum of agreement in place to finance another \$35.2 million. Future expected capital expenditures will significantly increase our depreciation and amortization expense.

For the Norwegian brand, Project Leonardo will introduce six additional ships, each ranging from approximately 140,000 to 156,300 Gross Tons with approximately 3,300 to 3,550 Berths, with expected delivery dates from 2022 through 2027. For the Regent brand, we have one Explorer Class Ship on order to be delivered in 2023, which will be approximately 55,000 Gross Tons and 750 Berths. For the Oceania Cruises brand, we have orders for two Allura Class Ships to be delivered in 2023 and 2025. Each of the Allura Class Ships will be approximately 67,000 Gross Tons and 1,200 Berths.

The combined contract prices of the nine ships on order for delivery was approximately €7.1 billion, or \$8.7 billion based on the euro/U.S. dollar exchange rate as of December 31, 2020. We have obtained export credit financing which is expected to fund approximately 80% of the contract price of each ship, subject to certain conditions. We do not anticipate any contractual breaches or cancellations 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.

Capitalized interest for the years ended December 31, 2020 and 2019 was \$25.2 million and \$32.9 million, respectively, primarily associated with the construction of our newbuild ships.

#### **Off-Balance Sheet Transactions**

None.

**Contractual Obligations**

As of December 31, 2020, our contractual obligations with initial or remaining terms in excess of one year, including interest payments on long-term debt obligations, were as follows (in thousands):

	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
Long-term debt (1)	\$ 12,152,083	\$ 795,895	\$ 1,909,485	\$ 5,780,791	\$ 3,665,912
Operating leases (2)	236,185	27,371	63,971	63,892	80,951
Ship construction contracts (3)	8,471,993	463,549	3,286,557	2,851,080	1,870,807
Port facilities (4)	2,067,777	71,691	142,756	145,954	1,707,376
Interest (5)	2,308,176	498,851	935,898	596,396	277,031
Other (6)	1,157,261	287,680	457,893	408,991	2,697
<b>Total</b>	<b>\$ 26,393,475</b>	<b>\$ 2,145,037</b>	<b>\$ 6,796,560</b>	<b>\$ 9,847,104</b>	<b>\$ 7,604,774</b>

(1) Long-term debt excludes discounts, premiums, deferred financing fees and a beneficial conversion feature, which are a direct addition or deduction from the carrying value of the related debt liability in the consolidated balance sheets. After giving effect to the debt deferrals discussed more fully in Note 8 – “Long-Term Debt”, which were finalized after December 31, 2020, our obligations for the payment of long-term debt are as follows (in thousands):

	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
Long-term debt	\$ 12,152,083	\$ 124,829	\$ 2,110,816	\$ 6,097,640	\$ 3,818,798

(2) Operating leases are primarily for port facilities and offices.

(3) Ship construction contracts are for our newbuild ships based on the euro/U.S. dollar exchange rate as of December 31, 2020. Export credit financing is in place from syndicates of banks for \$212.0 million. Subsequent to December 31, 2020, \$194.1 million of payments due within one year have been deferred and we have a memorandum of agreement to finance another \$35.2 million.

(4) Port facilities represent our usage of certain port facilities. Our port facilities agreements generally include force majeure provisions that may alleviate an unspecified amount of obligations under minimum guarantees during the COVID-19 pandemic. In 2020, the Company provided the required notice that such provisions were being enacted. Customary practice is to prorate these obligations for the annual period impacted. A portion of our port fees may be waived as a result of these provisions, including those ports that are presented within operating leases in the table above.

(5) Interest includes fixed and variable rates with LIBOR held constant as of December 31, 2020. Due to the subsequent deferrals of scheduled amortization and amendments to interest rates as more fully discussed in Note 8 – “Long-Term Debt”, interest obligations for debt outstanding as of December 31, 2020 are as follows (in thousands):

	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
Interest	\$ 2,352,474	\$ 504,197	\$ 968,782	\$ 600,479	\$ 279,016

(6) Other includes future commitments for service, maintenance and other business enhancement capital expenditure contracts. Certain contracts to provide many of our hotel and restaurant services, including both food and labor costs, contain provisions which provide for reduced obligations in the case of a ship(s) removed from operations. As a result, we may only be required to cover reasonable costs during the time period whereby our operations have temporarily been suspended. These reasonable costs are subject to ongoing negotiations.

**Other**

Certain service providers may require collateral in the normal course of our business. The amount of collateral may change based on certain terms and conditions.

As a routine part of our business, depending on market conditions, exchange rates, pricing and our strategy for growth, we regularly consider opportunities to enter into contracts for the building of additional ships. We may also consider the sale of ships, potential acquisitions and strategic alliances. If any of these transactions were to occur, they may be financed through the incurrence of additional permitted indebtedness, through cash flows from operations, or through the issuance of debt, equity or equity-related securities.

We refer you to “—Liquidity and Capital Resources” for information regarding collateral provided to our credit card processors.

### **Funding Sources**

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. 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 these covenants as of December 31, 2020.

In addition, our existing debt agreements restrict, and any of our future debt arrangements may restrict, among other things, the ability of our subsidiaries, including NCLC, to make distributions and/or pay dividends to NCLH and NCLH’s ability to pay cash dividends to its shareholders. NCLH is a holding company and depends upon its subsidiaries for their ability to pay distributions to it to finance any dividend or pay any other obligations of NCLH. However, we do not believe that these restrictions have had or are expected to have a significant impact on our ability to meet our cash obligations.

In light of the measures described under “Update Regarding COVID-19—Financing Transactions and Cost Containment Measures”, we believe our cash on hand, expected future operating cash inflows and our ability to issue debt securities or additional equity securities, will be sufficient to fund operations, debt payment requirements, capital expenditures and maintain compliance with covenants under our debt agreements over the next 12-month period. Certain debt covenant waivers were received in 2021 to enable the Company to maintain this compliance. Refer to “—Liquidity and Capital Resources” for further information regarding the debt covenant waivers. There is no assurance that cash flows from operations and additional financings will be available in the future to fund our future obligations. Furthermore, we anticipate that we will need additional equity and/or debt financing to fund our operations in the future, especially if our suspension of cruise voyages is prolonged.

### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

#### **General**

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. The financial impacts of these derivative instruments are primarily offset by corresponding changes in the underlying exposures being hedged. We achieve this by closely matching the notional, term and conditions of the derivatives with the underlying risk being hedged. We do not hold or issue derivatives for trading or other speculative purposes. Derivative positions are monitored using techniques including market valuations and sensitivity analyses.

#### **Interest Rate Risk**

As of December 31, 2020, we had interest rate swap and collar agreements to hedge our exposure to interest rate movements and to manage our interest expense. As of December 31, 2020, 74% of our debt was fixed and 26% was variable, which includes the effects of the interest rate swaps and collars. The notional amount of outstanding debt associated with the interest rate derivative agreements was \$0.7 billion as of December 31, 2020. As of December 31, 2019, 78% of our debt was fixed and 22% was variable, which includes the effects of the interest rate swaps and collars. The notional amount of outstanding debt associated with the interest rate derivative agreements was \$1.7 billion as of

December 31, 2019. The change in our fixed rate percentage from December 31, 2019 to December 31, 2020 was primarily due to the maturity of interest rate swaps.

Based on our December 31, 2020 outstanding variable rate debt balance, a one percentage point increase in annual LIBOR interest rates would increase our annual interest expense by approximately \$31.9 million excluding the effects of capitalization of interest.

#### **Foreign Currency Exchange Rate Risk**

As of December 31, 2020, we had foreign currency derivatives to hedge the exposure to volatility in foreign currency exchange rates related to our ship construction contracts denominated in euros. These derivatives hedge the foreign currency exchange rate risk on a portion of the payments on our ship construction contracts. The payments not hedged aggregate €5.0 billion, or \$6.1 billion based on the euro/U.S. dollar exchange rate as of December 31, 2020. As of December 31, 2019, the payments not hedged aggregated €3.0 billion, or \$3.4 billion, based on the euro/U.S. dollar exchange rate as of December 31, 2019. The change from December 31, 2019 to December 31, 2020 was due to the delivery of Seven Seas Splendor. We estimate that a 10% change in the euro as of December 31, 2020 would result in a \$0.6 billion change in the U.S. dollar value of the foreign currency denominated remaining payments.

#### **Fuel Price Risk**

Our exposure to market risk for changes in fuel prices relates to the forecasted purchases of fuel on our ships. Fuel expense, as a percentage of our total cruise operating expense, was 15.6% for the year ended December 31, 2020 and 11.2% for the year ended December 31, 2019. We use fuel derivative agreements to mitigate the financial impact of fluctuations in fuel prices and as of December 31, 2020, excluding fuel swaps for transactions that are no longer probable of occurrence, we had hedged approximately 59%, 37% and 15% of our 2021, 2022 and 2023 projected metric tons of fuel purchases, respectively. As of December 31, 2019, we had hedged approximately 50% and 18% of our 2021 and 2022 projected metric tons of fuel purchases, respectively. Additional hedges were executed between December 31, 2019 to December 31, 2020 to lower our fuel price risk.

We estimate that a 10% increase in our weighted-average fuel price would increase our anticipated 2021 fuel expense by \$29.5 million. This increase would be partially offset by an increase in the fair value of our fuel swap agreements of \$17.5 million. Fair value of our derivative contracts is derived using valuation models that utilize the income valuation approach. These valuation models take into account the contract terms such as maturity, as well as other inputs such as fuel types, fuel curves, creditworthiness of the counterparty and the Company, as well as other data points.

#### **Item 8. Financial Statements and Supplementary Data**

Our Consolidated Financial Statements and Quarterly Selected Financial Data are included beginning on page F-1 of this report.

#### **Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

#### **Item 9A. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

Our management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e), as of December 31, 2020. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon management's evaluation, our Chief Executive Officer and Chief Financial Officer

concluded that our disclosure controls and procedures were effective as of December 31, 2020, to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Management’s Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO Framework”). Based on this evaluation under the COSO Framework, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2020 has been audited by PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, as stated in their report, which is included on page F-1.

**Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Limitations on the Effectiveness of Controls**

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only the reasonable assurance that our controls will succeed in achieving their goals under all potential future conditions.

**Item 9B. Other Information**

None.

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance**

Except for information concerning executive officers (called for by Item 401(b) of Regulation S-K), which is included in Part I of this Annual Report and except as disclosed below with respect to our Code of Ethical Business Conduct, the information required under Item 10 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2020 in connection with our 2021 Annual General Meeting of Shareholders.

#### **Code of Ethical Business Conduct**

We have adopted a Code of Ethical Business Conduct that applies to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions, and our directors. This document is posted on our website at [www.nclhldinvestor.com](http://www.nclhldinvestor.com). We intend to disclose waivers from, and amendments to, our Code of Ethical Business Conduct that apply to our directors and executive officers, including our principal executive officer, principal financial officer, principal accounting officers or controller and persons performing similar functions, by posting such information on our website [www.nclhldinvestor.com](http://www.nclhldinvestor.com) to the extent required by applicable rules of the SEC and the NYSE. None of the websites referenced in this Annual Report or the information contained therein is incorporated herein by reference.

### **Item 11. Executive Compensation**

The information required under Item 11 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2020 in connection with our 2021 Annual General Meeting of Shareholders.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required under Item 12 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2020 in connection with our 2021 Annual General Meeting of Shareholders.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required under Item 13 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2020 in connection with our 2021 Annual General Meeting of Shareholders.

### **Item 14. Principal Accounting Fees and Services**

The information required under Item 14 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2020 in connection with our 2021 Annual General Meeting of Shareholders.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

(1) Financial Statements

Our Consolidated Financial Statements have been prepared in accordance with Item 8. Financial Statements and Supplementary Data and are included beginning on page F-1 of this report.

(2) Financial Statement Schedules

Schedule II: Valuation and Qualifying Accounts for the three years ended December 31, 2020 are included on page 79.

(3) Exhibits

The exhibits listed below are filed or incorporated by reference as part of this annual report on Form 10-K.

**INDEX TO EXHIBITS**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
3.1	<a href="#">Memorandum of Association of Norwegian Cruise Line Holdings Ltd. (incorporated herein by reference to Exhibit 3.1 to amendment no. 5 to Norwegian Cruise Line Holdings Ltd.'s registration statement on Form S-1 filed on January 8, 2013 (File No. 333-175579))</a>
3.2	<a href="#">Amended and Restated Bye-Laws of Norwegian Cruise Line Holdings Ltd., effective as of June 13, 2019 (incorporated herein by reference to Exhibit 3.2 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on June 14, 2019 (File No. 001-35784))</a>
4.1	<a href="#">Indenture, dated as of December 16, 2019, between NCL Corporation Ltd. and U.S. Bank National Association, as trustee, with respect to \$565.0 million aggregate principal amount of 3.625% senior unsecured notes due 2024 (incorporated herein by reference to Exhibit 4.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on December 16, 2019 (File No. 001-35784))</a>
4.2	<a href="#">Indenture, dated May 8, 2020, by and among NCL Corporation Ltd., as issuer, Norwegian Cruise Line Holdings Ltd., as guarantor, and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on May 11, 2020 (File No. 001-35784))</a>
4.3	<a href="#">Indenture, dated May 14, 2020, by and among NCL Corporation Ltd., as issuer, the guarantors party thereto and U.S. Bank National Association, as trustee, principal paying agent, transfer agent, registrar and security agent (incorporated herein by reference to Exhibit 4.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on May 15, 2020 (File No. 001-35784))</a>
4.4	<a href="#">Indenture, dated May 28, 2020, by and among NCL Corporation Ltd., as issuer, Norwegian Cruise Line Holdings Ltd., as guarantor, and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on May 28, 2020 (File No. 001-35784))</a>
4.5	<a href="#">Indenture, dated July 21, 2020, by and among NCL Corporation Ltd., as issuer, Norwegian Cruise Line Holdings Ltd., as guarantor, and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 4.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on July 21, 2020 (File No. 001-35784))</a>



- 4.6 [Indenture, dated July 21, 2020, by and among NCL Corporation Ltd., as issuer, the guarantors party thereto and U.S. Bank National Association, as trustee, principal paying agent, transfer agent, registrar and security agent \(incorporated herein by reference to Exhibit 4.2 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on July 21, 2020 \(File No. 001-35784\)\)](#)
- 4.7 [Indenture, dated December 18, 2020, by and among NCL Corporation Ltd., as issuer, the guarantors named therein and U.S. Bank National Association, as trustee, principal paying agent, transfer agent and registrar \(incorporated herein by reference to Exhibit 4.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on December 18, 2020 \(File No. 001-35784\)\)](#)
- 4.8 [Form of Certificate of Ordinary Shares \(incorporated herein by reference to Exhibit 4.7 to amendment no. 5 to Norwegian Cruise Line Holdings Ltd.'s registration statement on Form S-1 filed on January 8, 2013 \(File No. 333-175579\)\)](#)
- 4.9\*\* [Description of Securities of Norwegian Cruise Line Holdings Ltd.](#)
- 9.1 [Deed of Trust, dated January 24, 2013, by and between Norwegian Cruise Line Holdings Ltd. and State House Trust Company Limited \(incorporated herein by reference to Exhibit 9.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on January 30, 2013 \(File No. 001-35784\)\)](#)
- 10.1 [Third Amendment Agreement, dated February 18, 2021, to Breakaway One Credit Agreement, dated November 18, 2010, by and among Breakaway One, Ltd., as borrower, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder, the lenders party thereto, KfW IPEX-Bank GmbH, as facility agent, collateral agent and CIRR agent, Nordea Bank Abp, filial i Norge, as documentation agent, Commerzbank Aktiengesellschaft, as Hermes agent, and the other parties thereto \(incorporated herein by reference to Exhibit 10.16 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.2 [Fourth Amendment Agreement, dated February 18, 2021, to Breakaway Two Credit Agreement, dated November 18, 2010, by and among Breakaway Two, Ltd., as borrower, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder, the lenders party thereto, KfW IPEX-Bank GmbH, as facility agent, collateral agent and CIRR agent, Nordea Bank Abp, filial i Norge, as documentation agent, Commerzbank Aktiengesellschaft, as Hermes agent, and the other parties thereto \(incorporated herein by reference to Exhibit 10.17 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.3 [Second Supplemental Agreement, dated February 18, 2021, to Breakaway Three Credit Agreement, dated October 12, 2012, by and among Breakaway Three, Ltd., as borrower, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder, the lenders thereto and KfW IPEX-Bank GmbH, as facility agent, Hermes agent, bookrunner, initial mandated lead arranger, collateral agent and CIRR agent \(incorporated herein by reference to Exhibit 10.18 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.4 [Third Supplemental Agreement, dated February 18, 2021, to Breakaway Four Credit Agreement, dated October 12, 2012, by and among Breakaway Four, Ltd., as borrower, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder, the lenders therein defined and KfW IPEX-Bank GmbH, as facility agent, Hermes agent, bookrunner, initial mandated lead arranger, collateral agent and CIRR agent \(incorporated herein by reference to Exhibit 10.19 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.5 [Fifth Amended and Restated Credit Agreement, dated May 8, 2020, by and among NCL Corporation Ltd., as borrower, Voyager Vessel Company, LLC, as co-borrower, the subsidiary guarantors party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and the joint book runners and arrangers and co-documentation agents named thereto \(incorporated herein by](#)

- [reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on May 11, 2020 \(File No. 001-35784\)#](#)
- 10.6 [Amendment Agreement, dated January 29, 2021, by and among NCL Corporation Ltd., as borrower, Voyager Vessel Company, LLC, as co-borrower, the subsidiary guarantors party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and the joint book runners and arrangers and co-documentation agents named therein, which amends the Fifth Amended and Restated Credit Agreement, dated May 8, 2020 \(incorporated herein by reference to Exhibit 10.3 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 4, 2021 \(File No. 001-35784\)\)#](#)
- 10.7 [Third Supplemental Agreement, dated February 18, 2021, to Seahawk One Credit Agreement, dated July 14, 2014, by and among Seahawk One, Ltd., as borrower, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder, the lenders party thereto and KfW IPEX-Bank GmbH, as facility agent, Hermes agent, bookrunner, initial mandated lead arranger, collateral agent and CIRR Agent \(incorporated herein by reference to Exhibit 10.14 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.8 [Fourth Supplemental Agreement, dated February 18, 2021, to Seahawk Two Credit Agreement, dated July 14, 2014, by and among Seahawk Two, Ltd., as borrower, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder, the lenders party thereto and KfW IPEX-Bank GmbH, as facility agent, Hermes agent, bookrunner, initial mandated lead arranger, collateral agent and CIRR Agent \(incorporated herein by reference to Exhibit 10.15 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.9 [Amendment and Restatement Agreement, dated as of February 17, 2021, among Riviera New Build, LLC, as borrower, NCL Corporation Ltd., as guarantor, Oceania Cruises S. de R.L., as charterer and shareholder, Norwegian Cruise Line Holdings Ltd., the lenders party thereto, Crédit Agricole Corporate and Investment Bank and Société Générale, as mandated lead arrangers, and the other parties thereto, which amends and restates the Loan Agreement, originally dated as of July 18, 2008 \(incorporated herein by reference to Exhibit 10.3 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.10 [Amendment and Restatement Agreement, dated as of February 17, 2021, among Marina New Build, LLC, as borrower, NCL Corporation Ltd., as guarantor, Oceania Cruises S. de R.L., as charterer and shareholder, Norwegian Cruise Line Holdings Ltd., the lenders party thereto, Crédit Agricole Corporate and Investment Bank and Société Générale, as mandated lead arrangers, and the other parties thereto, which amends and restates the Loan Agreement, originally dated as of July 18, 2008 \(incorporated herein by reference to Exhibit 10.4 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.11 [Amendment and Restatement Agreement, dated as of February 17, 2021, among Explorer New Build, LLC, as borrower, NCL Corporation Ltd., as guarantor, Seven Seas Cruises S. de R.L., as charterer and shareholder, Norwegian Cruise Line Holdings Ltd., the lenders party thereto, Crédit Agricole Corporate and Investment Bank, Société Générale, HSBC Bank PLC, and KfW IPEX-Bank GmbH, as joint mandated lead arrangers, and the other parties thereto, which amends and restates the Loan Agreement, originally dated as of July 31, 2013 \(incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.12 [Amendment and Restatement Agreement, dated as of February 17, 2021, among Explorer II New Build, LLC, as borrower, NCL Corporation Ltd., as guarantor, Seven Seas Cruises S. de R.L., as charterer and shareholder, Norwegian Cruise Line Holdings Ltd., the lenders party thereto, Crédit Agricole Corporate and Investment Bank, Société Générale, HSBC Bank PLC, and KfW IPEX-Bank GmbH, as joint mandated lead arrangers, and the other parties thereto, which amends and restates the Loan Agreement, originally dated as of March 30, 2016 \(incorporated herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)

- 10.13 [Amendment and Restatement Agreement, dated as of February 17, 2021, among Leonardo One, Ltd., as borrower, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder, Norwegian Cruise Line Holdings Ltd., the lenders party thereto, Crédit Agricole Corporate and Investment Bank, BNP Paribas Fortis S.A./N.V., KfW IPEX-Bank GmbH, HSBC Bank PLC and Cassa Depositi e Prestiti S.P.A., as joint mandated lead arrangers, and the other parties thereto, which amends and restates the Loan Agreement, originally dated as of April 12, 2017 \(incorporated herein by reference to Exhibit 10.5 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.14 [Amendment and Restatement Agreement, dated as of February 17, 2021, among Leonardo Two, Ltd., as borrower, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder, Norwegian Cruise Line Holdings Ltd., the lenders party thereto, Crédit Agricole Corporate and Investment Bank, BNP Paribas Fortis S.A./N.V., HSBC Bank PLC and Cassa Depositi e Prestiti S.P.A., as joint mandated lead arrangers, and the other parties thereto, which amends and restates the Loan Agreement, originally dated as of April 12, 2017 \(incorporated herein by reference to Exhibit 10.6 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.15 [Amendment and Restatement Agreement, dated as of February 17, 2021, among Leonardo Three, Ltd., as borrower, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder, Norwegian Cruise Line Holdings Ltd., the lenders party thereto, HSBC Bank PLC, BNP Paribas Fortis S.A./N.V., KfW IPEX-Bank GmbH and Cassa Depositi e Prestiti S.P.A., as joint mandated lead arrangers, and the other parties thereto, which amends and restates the Loan Agreement, originally dated as of April 12, 2017 \(incorporated herein by reference to Exhibit 10.7 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.16 [Amendment and Restatement Agreement, dated as of February 17, 2021, among Leonardo Four, Ltd., as borrower, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder, Norwegian Cruise Line Holdings Ltd., the lenders party thereto, KfW IPEX-Bank GmbH, BNP Paribas Fortis S.A./N.V., HSBC Bank PLC and Cassa Depositi e Prestiti S.P.A., as joint mandated lead arrangers, and the other parties thereto, which amends and restates the Loan Agreement, originally dated as of April 12, 2017 \(incorporated herein by reference to Exhibit 10.8 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.17 [Amendment and Restatement Agreement, dated as of February 17, 2021, among Leonardo Five, Ltd., as borrower, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder, Norwegian Cruise Line Holdings Ltd., the lenders party thereto, Crédit Agricole Corporate and Investment Bank, BNP Paribas Fortis S.A./N.V., HSBC Bank PLC, KfW IPEX-Bank GmbH, Cassa Depositi e Prestiti S.P.A., Banco Santander, S.A. and Société Générale, as joint mandated lead arrangers, and the other parties thereto, which amends and restates the Loan Agreement, originally dated as of December 19, 2018 \(incorporated herein by reference to Exhibit 10.9 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.18 [Amendment and Restatement Agreement, dated as of February 17, 2021, among Leonardo Six, Ltd., as borrower, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder, Norwegian Cruise Line Holdings Ltd., the lenders party thereto, Crédit Agricole Corporate and Investment Bank, BNP Paribas Fortis S.A./N.V., HSBC Bank PLC, KfW IPEX-Bank GmbH, Cassa Depositi e Prestiti S.P.A., Banco Santander, S.A. and Société Générale, as joint mandated lead arrangers, and the other parties thereto, which amends and restates the Loan Agreement, originally dated as of December 19, 2018 \(incorporated herein by reference to Exhibit 10.10 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.19 [Amendment and Restatement Agreement, dated as of February 17, 2021, among O Class Plus One, LLC, as borrower, NCL Corporation Ltd., as guarantor, Oceania Cruises S. de R.L., as shareholder, Norwegian Cruise Line Holdings Ltd., the lenders party thereto, Crédit Agricole Corporate and Investment Bank, BNP Paribas Fortis S.A./N.V., HSBC Bank PLC, KfW IPEX-Bank GmbH, Cassa Depositi e Prestiti S.P.A., Banco Santander, S.A. and Société Générale, as joint mandated lead arrangers, and the other](#)

- [parties thereto, which amends and restates the Loan Agreement, originally dated as of December 19, 2018 \(incorporated herein by reference to Exhibit 10.12 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.20 [Amendment and Restatement Agreement, dated as of February 17, 2021, among O Class Plus Two, LLC, as borrower, NCL Corporation Ltd., as guarantor, Oceania Cruises S. de R.L., as shareholder, Norwegian Cruise Line Holdings Ltd., the lenders party thereto, Crédit Agricole Corporate and Investment Bank, BNP Paribas Fortis S.A./N.V., HSBC Bank PLC, KfW IPEX-Bank GmbH, Cassa Depositi e Prestiti S.P.A., Banco Santander, S.A. and Société Générale., as joint mandated lead arrangers, and the other parties thereto, which amends and restates the Loan Agreement, originally dated as of December 19, 2018 \(incorporated herein by reference to Exhibit 10.13 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.21 [\\$230 million Credit Agreement, dated January 10, 2019, among NCL Corporation Ltd., as borrower, Nordea Bank ABP, New York Branch, as administrative agent and collateral agent and the other lenders party thereto as joint bookrunners, arrangers, co-documentation agents and lenders \(incorporated herein by reference to Exhibit 10.52 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2019 \(File No. 001-35784\)\)±](#)
- 10.22 [Amendment Agreement, dated as of April 28, 2020, among NCL Corporation Ltd., as borrower, Pride of America Ship Holding, LLC, as subsidiary guarantor, Nordea Bank Abp, New York Branch, as administrative agent, and the other parties thereto, which supplements the Credit Agreement, dated as of January 10, 2019 \(incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on May 4, 2020 \(File No. 001-35784\)\)#](#)
- 10.23 [Amendment Agreement, dated January 29, 2021, by and among NCL Corporation Ltd., as borrower, Pride of America Ship Holding, LLC, as subsidiary guarantor, Nordea Bank Abp, New York Branch, as administrative agent, and the other parties thereto, which amends the Credit Agreement, dated as of January 10, 2019 \(incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 4, 2021 \(File No. 001-35784\)\)#](#)
- 10.24 [Amendment and Restatement Agreement, dated as of February 17, 2021, among Explorer III New Build, LLC, as borrower, NCL Corporation Ltd., as guarantor, Seven Seas Cruises S. de R.L., as shareholder, Norwegian Cruise Line Holdings Ltd., the lenders party thereto, Crédit Agricole Corporate and Investment Bank, BNP Paribas Fortis S.A./N.V., HSBC Bank PLC, KfW IPEX-Bank GmbH, Cassa Depositi e Prestiti S.P.A., Banco Santander, S.A. and Société Générale., as joint mandated lead arrangers, and the other parties thereto, which amends and restates the Loan Agreement, originally dated as of December 19, 2018 \(incorporated herein by reference to Exhibit 10.11 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 23, 2021 \(File No. 001-35784\)\)#†](#)
- 10.25 [\\$260 million Credit Agreement, dated May 15, 2019, among NCL Corporation Ltd., as borrower, Bank of America, N.A., as administrative agent and collateral agent and the other lenders party thereto as joint bookrunners, arrangers, co-documentation agents and lenders \(incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on August 8, 2019 \(File No. 001-35784\)\)#](#)
- 10.26 [Amendment Agreement, dated as of May 1, 2020, among NCL Corporation Ltd., as borrower, Norwegian Jewel Limited, as subsidiary guarantor, the lenders party thereto and Bank of America, N.A., as administrative agent, which amends the Credit Agreement, dated as of May 15, 2019 \(incorporated herein by reference to Exhibit 10.3 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on May 4, 2020 \(File No. 001-35784\)\)#](#)
- 10.27 [Amendment Agreement, dated January 29, 2021, by and among NCL Corporation Ltd., as borrower, Norwegian Jewel Limited, as subsidiary guarantor, the lenders party thereto and Bank of America, N.A., as administrative agent, which amends the Credit Agreement, dated as of May 15, 2019 \(incorporated](#)

- [herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 4, 2021 \(File No. 001-35784\)\)#](#)
- 10.28 [Investment Agreement, dated May 5, 2020, by and among Norwegian Cruise Line Holdings Ltd., NCL Corporation Ltd. and LC9 Skipper, L.P. \(incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on May 11, 2020 \(File No. 001-35784\)\)](#)
- 10.29 [Investor Rights Agreement, dated May 28, 2020, by and among Norwegian Cruise Line Holdings Ltd., NCL Corporation Ltd. and LC9 Skipper, L.P. \(incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on May 28, 2020 \(File No. 001-35784\)\)](#)
- 10.30 [Amended and Restated Regent Trademark License Agreement, dated February 21, 2011, by and between Regent Hospitality Worldwide, LLC and Seven Seas Cruises, S. DE R.L. \(incorporated herein by reference to Exhibit 10.17 to Prestige Cruises International, Inc.'s Amendment No. 1 to Form S-1 filed on March 24, 2014 \(File No. 333-193479\)\)](#)
- 10.31 [Employment Agreement by and between NCL \(Bahamas\) Ltd. and T. Robin Lindsay, entered into on October 18, 2015 \(incorporated herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 10-O filed on May 10, 2017 \(File No. 001-35784\)\)\\*](#)
- 10.32 [Employment Agreement by and between Prestige Cruise Services, LLC and Jason Montague, entered into on September 16, 2016 \(incorporated herein by reference to Exhibit 10.3 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on September 19, 2016 \(File No. 001-35784\)\)\\*](#)
- 10.33 [Employment Agreement by and between NCL \(Bahamas\) Ltd. and Frank J. Del Rio, entered into on October 1, 2020 \(incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on October 5, 2020 \(File No. 001-35784\)\)\\*](#)
- 10.34 [Employment Agreement by and between NCL \(Bahamas\) Ltd. and Mark Kempa, entered into on September 10, 2018 \(incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on September 11, 2018 \(File No. 001-35784\)\)\\*](#)
- 10.35 [Employment Agreement by and between Prestige Cruise Services, LLC and Robert J. Binder, entered into on September 16, 2016 \(incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on September 19, 2016 \(File No. 001-35784\)\)\\*](#)
- 10.36 [Amendment to Employment Agreement by and between Prestige Cruise Services, LLC and Robert J. Binder, entered into on May 7, 2019 \(incorporated herein by reference to Exhibit 10.64 to Norwegian Cruise Line Holdings Ltd.'s annual report on Form 10-K filed on February 27, 2020 \(File No. 001-35784\)\)\\*](#)
- 10.37 [Amendment to Employment Agreement by and between Prestige Cruise Services, LLC and Robert J. Binder, entered into on September 19, 2020 \(incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on September 22, 2020 \(File No. 001-35784\)\)\\*](#)
- 10.38 [Form of Indemnification Agreement by and between Norwegian Cruise Line Holdings Ltd. and each of its directors, executive officers and certain other officers \(effective July 14, 2020\) \(incorporated herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 10-O filed on August 10, 2020 \(File No. 001-35784\)\)\\*](#)
- 10.39 [Norwegian Cruise Line Holdings Ltd. Amended and Restated 2013 Performance Incentive Plan \(incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on May 24, 2016 \(File No. 001-35784\)\)\\*](#)
- 10.40 [Form of Notice of Grant of Option and Terms and Conditions of Option \(incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on May 8, 2013 \(File No. 001-35784\)\)\\*](#)

10.41	<a href="#">Norwegian Cruise Line Holdings Ltd. Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.3 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on July 31, 2014 (File No. 001-35784))*</a>
10.42	<a href="#">Directors' Compensation Policy (effective July 14, 2020) (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on August 10, 2020 (File No. 001-35784))*</a>
10.43	<a href="#">Form of Director Restricted Share Unit Award Agreement (incorporated herein by reference to Exhibit 10.62 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 29, 2016 (File No. 001-35784))*</a>
10.44	<a href="#">Form of Norwegian Cruise Line Holdings Ltd. Time and Performance-based Restricted Share Unit Award Agreement (incorporated herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on November 4, 2015 (File No. 001-35784))*</a>
10.45	<a href="#">Form of Notice of Grant of Norwegian Cruise Line Holdings Ltd. Time and Performance-based Option and Terms and Conditions (incorporated herein by reference to Exhibit 10.3 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on November 4, 2015 (File No. 001-35784))*</a>
10.46	<a href="#">Form of Norwegian Cruise Line Holdings Ltd. Time-based Restricted Share Unit Award Agreement (2017) (incorporated herein by reference to Exhibit 10.52 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2017 (File No. 001-35784))*</a>
10.47	<a href="#">Form of Norwegian Cruise Line Holdings Ltd. Performance-based Restricted Share Unit Award Agreement (2017) (incorporated herein by reference to Exhibit 10.53 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2017 (File No. 001-35784))*</a>
10.48	<a href="#">Form of Norwegian Cruise Line Holdings Ltd. Performance-based Restricted Share Unit Award Agreement (August 2017) (incorporated herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on November 9, 2017 (File No. 001-35784))*</a>
10.49	<a href="#">Form of Norwegian Cruise Line Holdings Ltd. Time-based Restricted Share Unit Award Agreement (2020) (incorporated by reference to Exhibit 10.77 to Norwegian Cruise Line Holdings Ltd.'s annual report on Form 10-K filed on February 27, 2020 (File No. 001-35784))*</a>
10.50	<a href="#">Form of Norwegian Cruise Line Holdings Ltd. Performance-based Restricted Share Unit Award Agreement (2020) (incorporated by reference to Exhibit 10.78 to Norwegian Cruise Line Holdings Ltd.'s annual report on Form 10-K filed on February 27, 2020 (File No. 001-35784))*</a>
10.51	<a href="#">Form of Base Salary Reduction Agreement Letter (incorporated herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on May 15, 2020 (File No. 001-35784))*</a>
10.52	<a href="#">Form of Retention Bonus Letter Agreement (incorporated herein by reference to Exhibit 10.5 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on November 9, 2020 (File No. 001-35784))*</a>
21.1**	<a href="#">List of Subsidiaries of Norwegian Cruise Line Holdings Ltd.</a>
23.1**	<a href="#">Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm</a>
24.1**	<a href="#">Power of Attorney (included on Signatures page of this Annual Report on Form 10-K)</a>
31.1**	<a href="#">Certification of the Annual Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the President and Chief Executive Officer</a>
31.2**	<a href="#">Certification of the Annual Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Executive Vice President and Chief Financial Officer</a>
32.1***	<a href="#">Certification of the Annual Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer and Chief Financial Officer</a>

101\*\* The following materials from Norwegian Cruise Line Holdings Ltd.'s Annual Report on Form 10-K formatted in Inline XBRL:

- (i) the Consolidated Statements of Operations of NCLH for the years ended December 31, 2020, 2019 and 2018;
- (ii) the Consolidated Statements of Comprehensive Income (Loss) of NCLH for the years ended December 31, 2020, 2019 and 2018;
- (iii) the Consolidated Balance Sheets of NCLH as of December 31, 2020 and 2019;
- (iv) the Consolidated Statements of Cash Flows of NCLH for the years ended December 31, 2020, 2019 and 2018;
- (v) the Consolidated Statements of Changes in Shareholders' Equity of NCLH for the years ended December 31, 2020, 2019 and 2018;
- (vi) the Notes to the Consolidated Financial Statements; and
- (vii) Schedule II Valuation and Qualifying Accounts.

104\*\* Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

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+ Confidential treatment has been granted with respect to certain portions of this exhibit. Omitted portions have been filed separately with the SEC.

# Certain portions of this document that constitute confidential information have been redacted in accordance with Regulation S-K Item 601(b)(10).

† Agreement restates previous versions of agreement.

\* Management contract or compensatory plan.

\*\* Filed herewith.

\*\*\* Furnished herewith.

**Item 16. Form 10-K Summary**

None.

### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in Miami, Florida, on February 26, 2021.

#### NORWEGIAN CRUISE LINE HOLDINGS LTD.

By: /s/ Frank J. Del Rio

Name: **Frank J. Del Rio**

Title: **Director, President and Chief Executive Officer**

### POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Frank J. Del Rio, Mark A. Kempa, Daniel S. Farkas and Faye L. Ashby, and each of them, his or her true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this annual report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact and agents or their substitute or substitutes may lawfully so or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this annual report on Form 10-K has been signed below by the following persons in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Frank J. Del Rio</u> <b>Frank J. Del Rio</b>	Director, President and Chief Executive Officer (Principal Executive Officer)	February 26, 2021
<u>/s/ Mark A. Kempa</u> <b>Mark A. Kempa</b>	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 26, 2021
<u>/s/ Faye L. Ashby</u> <b>Faye L. Ashby</b>	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 26, 2021
<u>/s/ Adam M. Aron</u> <b>Adam M. Aron</b>	Director	February 26, 2021
<u>/s/ John Chidsey</u> <b>John Chidsey</b>	Director	February 26, 2021
<u>/s/ Chad A. Leat</u> <b>Chad A. Leat</b>	Director	February 26, 2021
<u>/s/ Scott A. Dahnke</u> <b>Scott A. Dahnke</b>	Director	February 26, 2021
<u>/s/ David M. Abrams</u> <b>David M. Abrams</b>	Director	February 26, 2021
<u>/s/ Stella David</u> <b>Stella David</b>	Director	February 26, 2021
<u>/s/ Russell W. Galbut</u> <b>Russell W. Galbut</b>	Director	February 26, 2021
<u>/s/ Mary E. Landry</u> <b>Mary E. Landry</b>	Director	February 26, 2021



**Norwegian Cruise Line Holdings Ltd.**  
**Schedule II Valuation and Qualifying Accounts (in thousands)**

<u>Description</u>	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>		<u>Deductions (a)</u>	<u>Balance</u> <u>12/31/18</u>
		<u>Charged to</u> <u>costs and</u> <u>expenses</u>	<u>Charged to</u> <u>other accounts</u>		
Valuation allowance on deferred tax assets	\$ 42,154	\$ —	\$ 276	\$ (506)	\$ 41,924

<u>Description</u>	<u>Balance</u> <u>12/31/18</u>	<u>Charged to</u>		<u>Deductions (a)</u>	<u>Balance</u> <u>12/31/19</u>
		<u>costs and</u> <u>expenses</u>	<u>Charged to</u> <u>other accounts</u>		
Valuation allowance on deferred tax assets	\$ 41,924	\$ —	\$ —	\$ (36,077)	\$ 5,847

<u>Description</u>	<u>Balance</u> <u>12/31/19</u>	<u>Charged to</u>		<u>Deductions (a)</u>	<u>Balance</u> <u>12/31/20</u>
		<u>costs and</u> <u>expenses</u>	<u>Charged to</u> <u>other</u> <u>accounts (b)</u>		
Valuation allowance on deferred tax assets	\$ 5,847	\$ —	\$ 38,150	\$ (1,121)	\$ 42,876

- (a) Amount relates to (i) utilization of deferred tax assets, (ii) revaluation of deferred tax assets from their functional currency to U.S. dollars and (iii) reversal of valuation allowances.
- (b) Amount relates to a valuation allowance on net U.S. deferred tax assets.

**Index to Consolidated Financial Statements**

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## **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, 2020 and 2019, and the related consolidated statements of operations, of comprehensive income (loss), of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes and financial statement schedule listed in the index appearing under Item 15(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 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, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***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 appearing under Item 9A. 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.

***Emphasis of Matter***

As discussed in Note 2 to the consolidated financial statements, the ongoing effects of COVID-19 on the Company's operations and global bookings have had, and will continue to have a significant impact on the Company's financial results and liquidity. Further, subsequent to February 2022, the Company will require additional liquidity to meet ongoing obligations, including debt amortization payments and ship milestone payments that are due in April 2022, in order to maintain minimum liquidity covenant requirements. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 2.

***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.

***Interim Impairment Assessments - Regent Seven Seas Cruises Goodwill and Regent Seven Seas Cruises and Oceania Cruises Trade Names***

As described in Notes 2, 4 and 10 to the consolidated financial statements, the Company's goodwill balance was \$98.1 million and trade names balance was \$500.5 million as of December 31, 2020. The Regent Seven Seas Cruises reporting unit goodwill was \$98.1 million, and the indefinite-lived trade name intangible assets in the Regent Seven Seas Cruises and Oceania Cruises reporting units was \$153.0 million and \$140.0 million, respectively. For the year ended December 31, 2020, management recorded a \$364.0 million goodwill impairment charge associated with the Regent Seven Seas Cruises reporting unit and impairment charges of \$147.0 million and \$170.0 million related to the Regent Seven Seas Cruises and Oceania Cruises indefinite-lived trade name intangible assets, respectively. Management evaluates goodwill and trade names for impairment annually or more frequently when an event occurs or circumstances change that indicates the carrying value of a reporting unit may not be recoverable. Due to the continued spread of COVID-19, growing travel restrictions and limited access to ports around the world, in March 2020, management implemented a voluntary suspension of all cruise voyages across its three brands. As of the date of this filing and through at least May 31, 2021, all cruise voyages remain suspended. As a result of the temporary suspension of voyages and decline in the Company's stock price, management performed interim goodwill and trade name impairment tests as of March 31, 2020. The interim goodwill assessment consists of an approach using discounted future cash flows and other market data to

determine the estimated fair value of the reporting units. The discounted cash flow valuation reflects management's principal assumptions of (i) forecasted future operating results and growth rates, which have been prepared under multiple scenarios and are probability weighted, (ii) forecasted capital expenditures for fleet growth and ship improvements and (iii) a weighted average cost of capital of market participants. For trade names, management used the relief from royalty method, which uses the same forecasts and discount rates from the discounted cash flow valuation in the goodwill assessment along with a trade name royalty rate assumption.

The principal considerations for our determination that performing procedures relating to the interim impairment assessment of the Regent Seven Seas Cruises goodwill and the Regent Seven Seas Cruises and Oceania Cruises trade names is a critical audit matter are (i) the significant judgment by management when determining the fair value estimates; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to forecasted future operating results and growth rates prepared under multiple scenarios and probability weighted for goodwill and trade names, forecasted capital expenditures for fleet growth and ship improvements for goodwill and the weighted average cost of capital of market participants for goodwill and trade names as well as the royalty rate assumption for trade names; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

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 interim goodwill impairment assessment of the Regent Seven Seas Cruises reporting unit and the interim trade name impairment assessment of the Regent Seven Seas Cruises trade name and the Oceania Cruises trade name. These procedures also included, among others, (i) testing management's process for determining the fair value estimates related to the interim impairment assessments; (ii) evaluating the appropriateness of the discounted future cash flow approach and the relief from royalty method; (iii) testing the completeness and accuracy of underlying data used in the fair value estimates; and (iv) evaluating the reasonableness of the significant assumptions used by management, including forecasted future operating results and growth rates prepared under multiple scenarios and probability weighted for goodwill and trade names, forecasted capital expenditures for fleet growth and ship improvements for goodwill, the weighted average cost of capital of market participants for goodwill and trade names, and trade name royalty rates. Evaluating management's assumptions related to forecasted future operating results and growth rates prepared under multiple scenarios and probability weighted for goodwill and trade names and forecasted capital expenditures for fleet growth and ship improvements for goodwill 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 approach and relief from royalty method, the weighted average cost of capital of market participants and trade name royalty rates assumptions.

#### *Liquidity - Impact of COVID-19*

As described in Note 2 to the consolidated financial statements, due to the continued spread of COVID-19, growing travel restrictions and limited access to ports around the world, in March 2020, management implemented a voluntary suspension of all cruise voyages across its three brands. As of the date of this filing and through at least May 31, 2021, all cruise voyages remain suspended. 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. Management believes the ongoing effects of COVID-19 on the Company's operations and global bookings have had, and will continue to have, a significant impact on the Company's financial results and liquidity, and such negative impact may continue well beyond the containment of the pandemic. Due to the unknown duration and extent of the COVID-19 pandemic, travel restrictions, bans and advisories, uncertainties around the Company's ability to comply with governmental regulations, the potential unavailability of ports and/or destinations, voyage cancellations and timing of redeployments, and a general impact on consumer sentiment regarding cruise travel, management cannot predict when they will relaunch voyages or when the Company's full fleet will be back in service at historical occupancy levels. Until management is able to begin their phased relaunch, the projected liquidity requirements reflect management's principal assumptions surrounding ongoing operating costs during the suspension of cruise voyages, as well as liquidity requirements for financing costs and necessary capital expenditures, and their ability

to continue to implement cash conservation strategies, including, but not limited to (i) moving their ships to minimum manning levels; (ii) further reductions in general operating expenses; and (iii) further reductions in discretionary capital expenditures. Based on these actions and assumptions regarding the impact of COVID-19, and considering the Company's available liquidity including cash and cash equivalents of \$3.3 billion at December 31, 2020, management has concluded that after implementing the above cash conservation strategies, the Company has sufficient liquidity to satisfy its obligations for at least the next twelve months from the issuance of the financial statements even in the event the Company does not resume cruise voyages during that period.

The principal considerations for our determination that performing procedures relating to the impact of COVID-19 on the Company's liquidity is a critical audit matter are the significant judgment by management when developing their liquidity analysis; this in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's liquidity analysis, including the assumptions related to (i) ongoing operating costs during the suspension of cruise voyages; (ii) liquidity requirements for financing costs; (iii) capital expenditures and (iv) management's ability to implement cash conservation strategies.

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 liquidity analysis. These procedures also included, among others, (i) testing management's process for projecting liquidity requirements for the twelve months after the date the financial statements are issued; (ii) testing the completeness and accuracy of underlying data and assumptions used in the projected liquidity analysis; and (iii) evaluation of management's liquidity analysis and their disclosure in the consolidated financial statements regarding having sufficient liquidity to satisfy its obligations for at least the next twelve months.

/s/ PricewaterhouseCoopers LLP  
Miami, Florida  
February 26, 2021

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)

	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>			
Passenger ticket	\$ 867,110	\$ 4,517,393	\$ 4,259,815
Onboard and other	412,798	1,944,983	1,795,311
Total revenue	<u>1,279,908</u>	<u>6,462,376</u>	<u>6,055,126</u>
<b>Cruise operating expense</b>			
Commissions, transportation and other	380,710	1,120,886	998,948
Onboard and other	85,678	394,673	348,656
Payroll and related	521,301	924,157	881,606
Fuel	264,712	409,602	392,685
Food	65,369	222,602	216,031
Other	375,291	591,341	539,150
Total cruise operating expense	<u>1,693,061</u>	<u>3,663,261</u>	<u>3,377,076</u>
<b>Other operating expense</b>			
Marketing, general and administrative	745,345	974,850	897,929
Depreciation and amortization	717,840	646,188	561,060
Impairment loss	1,607,797	—	—
Total other operating expense	<u>3,070,982</u>	<u>1,621,038</u>	<u>1,458,989</u>
Operating income (loss)	<u>(3,484,135)</u>	<u>1,178,077</u>	<u>1,219,061</u>
<b>Non-operating income (expense)</b>			
Interest expense, net	(482,313)	(272,867)	(270,404)
Other income (expense), net	(33,599)	6,155	20,653
Total non-operating income (expense)	<u>(515,912)</u>	<u>(266,712)</u>	<u>(249,751)</u>
<b>Net income (loss) before income taxes</b>	<u>(4,000,047)</u>	<u>911,365</u>	<u>969,310</u>
<b>Income tax benefit (expense)</b>	<u>(12,467)</u>	<u>18,863</u>	<u>(14,467)</u>
<b>Net income (loss)</b>	<u>\$ (4,012,514)</u>	<u>\$ 930,228</u>	<u>\$ 954,843</u>
<b>Weighted-average shares outstanding</b>			
Basic	<u>254,728,932</u>	<u>214,929,977</u>	<u>223,001,739</u>
Diluted	<u>254,728,932</u>	<u>216,475,076</u>	<u>224,419,205</u>
<b>Earnings (loss) per share</b>			
Basic	<u>\$ (15.75)</u>	<u>\$ 4.33</u>	<u>\$ 4.28</u>
Diluted	<u>\$ (15.75)</u>	<u>\$ 4.30</u>	<u>\$ 4.25</u>

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

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

	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net income (loss)	<u>\$ (4,012,514)</u>	<u>\$ 930,228</u>	<u>\$ 954,843</u>
Other comprehensive income (loss):			
Shipboard Retirement Plan	345	(1,930)	2,697
Cash flow hedges:			
Net unrealized loss	(51,642)	(123,015)	(161,214)
Amount realized and reclassified into earnings	106,670	(8,898)	(30,096)
Total other comprehensive income (loss)	<u>55,373</u>	<u>(133,843)</u>	<u>(188,613)</u>
Total comprehensive income (loss)	<u>\$ (3,957,141)</u>	<u>\$ 796,385</u>	<u>\$ 766,230</u>

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)**

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,300,482	\$ 252,876
Accounts receivable, net	20,578	75,109
Inventories	82,381	95,427
Prepaid expenses and other assets	154,103	306,733
Total current assets	3,557,544	730,145
Property and equipment, net	13,411,226	13,135,337
Goodwill	98,134	1,388,931
Trade names	500,525	817,525
Other long-term assets	831,888	612,661
Total assets	<u>\$ 18,399,317</u>	<u>\$ 16,684,599</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 124,885	\$ 746,358
Accounts payable	83,136	100,777
Accrued expenses and other liabilities	596,056	782,275
Advance ticket sales	1,109,826	1,954,980
Total current liabilities	1,913,903	3,584,390
Long-term debt	11,681,234	6,055,335
Other long-term liabilities	450,075	529,295
Total liabilities	<u>14,045,212</u>	<u>10,169,020</u>
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Ordinary shares, \$0.001 par value; 490,000,000 shares authorized; 315,636,032 shares issued and outstanding at December 31, 2020 and 237,533,270 shares issued and 213,082,411 shares outstanding at December 31, 2019	316	237
Additional paid-in capital	4,889,355	4,235,690
Accumulated other comprehensive income (loss)	(240,117)	(295,490)
Retained earnings (deficit)	(295,449)	3,829,068
Treasury shares (0 and 24,450,859 ordinary shares at December 31, 2020 and December 31, 2019, respectively, at cost)	—	(1,253,926)
Total shareholders' equity	4,354,105	6,515,579
Total liabilities and shareholders' equity	<u>\$ 18,399,317</u>	<u>\$ 16,684,599</u>

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

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

	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ (4,012,514)	\$ 930,228	\$ 954,843
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	739,619	647,102	566,972
Impairment loss	1,607,797	—	—
Deferred income taxes, net	12,765	(26,134)	1,508
Gain on derivatives	(8,501)	—	—
Loss on extinguishment of debt	10,480	13,397	6,346
Provision for bad debts and inventory obsolescence	31,756	3,884	5,570
Gain on involuntary conversion of assets	(1,496)	(4,152)	—
Share-based compensation expense	111,297	95,055	115,983
Payment-in-kind interest premium	19,349	—	—
Net foreign currency adjustments	8,584	(1,934)	(5,537)
Changes in operating assets and liabilities:			
Accounts receivable, net	30,797	(14,104)	(15,886)
Inventories	10,555	(6,155)	(9,052)
Prepaid expenses and other assets	(89,528)	(74,295)	(29,519)
Accounts payable	(21,419)	(58,635)	106,387
Accrued expenses and other liabilities	(193,938)	(29,028)	114,953
Advance ticket sales	(811,846)	347,376	262,603
Net cash provided by (used in) operating activities	<u>(2,556,243)</u>	<u>1,822,605</u>	<u>2,075,171</u>
<b>Cash flows from investing activities</b>			
Additions to property and equipment, net	(946,545)	(1,637,170)	(1,566,796)
Cash received on settlement of derivatives	—	289	64,796
Cash paid on settlement of derivatives	(31,520)	(47,085)	(1,719)
Other	2,703	3,774	1,011
Net cash used in investing activities	<u>(975,362)</u>	<u>(1,680,192)</u>	<u>(1,502,708)</u>
<b>Cash flows from financing activities</b>			
Repayments of long-term debt	(892,481)	(3,806,732)	(1,716,244)
Proceeds from long-term debt	6,075,090	4,122,297	1,904,865
Common share issuance proceeds, net	1,541,708	—	—
Proceeds from employee related plans	5,557	31,937	28,819
Net share settlement of restricted share units	(15,407)	(20,939)	(13,855)
Purchases of treasury shares	—	(349,860)	(664,811)
Early redemption premium	(1,376)	(6,829)	(5,154)
Deferred financing fees	(133,880)	(23,262)	(118,422)
Net cash provided by (used in) financing activities	<u>6,579,211</u>	<u>(53,388)</u>	<u>(584,802)</u>
Net increase (decrease) in cash and cash equivalents	3,047,606	89,025	(12,339)
Cash and cash equivalents at beginning of period	252,876	163,851	176,190
Cash and cash equivalents at end of period	<u>\$ 3,300,482</u>	<u>\$ 252,876</u>	<u>\$ 163,851</u>

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 (Deficit)	Treasury Shares	Total Shareholders' Equity
<b>Balance, December 31, 2017</b>	\$ 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 loss, net	—	—	(188,601)	—	—	(188,601)
Net income	—	—	—	954,843	—	954,843
<b>Balance, December 31, 2018</b>	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
<b>Balance, December 31, 2019</b>	237	4,235,690	(295,490)	3,829,068	(1,253,926)	6,515,579
Share-based compensation	—	111,297	—	—	—	111,297
Issuance of shares under employee related plans	2	5,555	—	—	—	5,557
Common share issuance proceeds, net	77	401,631	—	(113,926)	1,253,926	1,541,708
Net share settlement of restricted share units	—	(15,407)	—	—	—	(15,407)
Cumulative change in accounting policy	—	—	—	1,923	—	1,923
Beneficial conversion feature	—	131,240	—	—	—	131,240
Payment-in-kind premium	—	19,349	—	—	—	19,349
Other comprehensive income, net	—	—	55,373	—	—	55,373
Net loss	—	—	—	(4,012,514)	—	(4,012,514)
<b>Balance, December 31, 2020</b>	\$ 316	\$ 4,889,355	\$ (240,117)	\$ (295,449)	\$ —	\$ 4,354,105

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

**Norwegian Cruise Line Holdings Ltd.**  
**Notes to the Consolidated Financial Statements**

**1. Description of  
Business**

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, 2020, we had 28 ships with approximately 59,150 Berths and had orders for nine additional ships to be delivered through 2027.

We have one Explorer Class Ship on order for delivery in 2023. We have two Allura Class Ships on order for delivery in 2023 and 2025. Project Leonardo will introduce six additional ships with expected delivery dates through 2027. The addition of these nine ships to our fleet will increase our total Berths to approximately 83,000.

**2. Summary of Significant Accounting  
Policies**

**Liquidity and Management's Plan**

Due to the continued spread of COVID-19, 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. As of the date of this filing and through at least May 31, 2021, all cruise voyages remain suspended. Significant events affecting travel, including COVID-19, typically have an impact on 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 the pandemic.

We continue to expect a gradual phased relaunch of our ships after the voyage suspension period, with our ships initially operating at reduced occupancy levels. The timing for bringing our ships back to service and the percentage of our fleet in service will depend on a number of factors including, but not limited to, the duration and extent of the COVID-19 pandemic, further resurgences and new variants of COVID-19, the availability, distribution, and efficacy of vaccines and therapeutics for COVID-19, our ability to comply with governmental regulations, port availability, travel restrictions, bans and advisories, and our ability to re-staff our ships and implement new health and safety protocols.

The estimation of our future cash flow projections includes numerous assumptions that are subject to various risks and uncertainties. Upon the relaunch of cruise voyages, our principal assumptions for future cash flow projections include:

- Expected gradual phased relaunch at reduced occupancy levels;
- Forecasted cash collections primarily upon completion of future voyages and the payment of cash refunds for any further cancellations, in accordance with the terms of our credit card processing agreements (see Note 13 - "Commitments and Contingencies"); and
- Expected incremental expenses for resumption of cruise voyages, including the maintenance of and compliance with additional health and safety protocols.

Due to the unknown duration and extent of the COVID-19 pandemic, travel restrictions, bans and advisories, uncertainties around our ability to comply with governmental regulations, the potential unavailability of ports and/or destinations, voyage cancellations and timing of redeployments, and a general impact on consumer sentiment regarding cruise travel, we cannot predict when we will relaunch voyages or when our full fleet will be back in service at historical occupancy levels. Until we are able to begin our phased relaunch, our projected liquidity requirements reflect our principal assumptions surrounding ongoing operating costs during the suspension of cruise voyages, as well as liquidity requirements for financing costs and necessary capital expenditures, and our ability to continue to implement cash conservation strategies, including, but not limited to:

- Moving our ships to minimum manning levels, which we expect would result in further reductions in crew payroll costs, fuel consumption, and maintenance costs;

- Further reductions in general operating expenses; and
- Further reductions in discretionary capital expenditures including cancellation or reduction in scope of certain Dry-docks.

Subsequent to December 31, 2020 further actions, including debt principal payment deferrals and deferral of ship milestone payments, were taken to bolster our financial condition. See Note 8 – “Long-Term Debt” and Note 13 - “Commitments and Contingencies” disclosure for further information.

We cannot make assurances that our assumptions used to estimate our liquidity requirements may not change because we have never experienced a complete cessation of our cruise voyages. Accordingly, the full effect of our suspension of cruise voyages on our financial performance and financial condition cannot be quantified at this time. We have made reasonable estimates and judgments of the impact of COVID-19 within our financial statements and there may be material changes to those estimates in future periods. We expect to report a net loss for at least the quarter ending March 31, 2021, and likely expect to report a net loss until we are able to resume voyages, including for the year ending December 31, 2021.

Based on these actions and assumptions regarding the impact of COVID-19, and considering our available liquidity including cash and cash equivalents of \$3.3 billion at December 31, 2020, we have concluded that after implementing the above cash conservation strategies, we have sufficient liquidity to satisfy our obligations for at least the next twelve months even in the event we do not resume cruise voyages during that period.

Subsequent to the liquidity assessment period (twelve months from the issuance of these financial statements), the Company will require additional liquidity to meet ongoing obligations, including debt amortization payments and ship milestone payments, of approximately \$560 million that are due in April 2022, in order to maintain its minimum liquidity covenant requirements. The Company plans to take additional steps following the issuance of these financial statements to increase its liquidity, which may include additional debt and/or equity financing and potential further renegotiations of its debt amortization payments, newbuild payments and covenants. The extent of these actions to increase the Company’s liquidity will be dependent in part on the timing of the resumption of cruise voyages, which is uncertain. There can be no assurances that the Company will be successful in generating the additional liquidity necessary to meet its obligations beyond twelve months from the issuance of these financial statements on terms acceptable to the Company or at all. If the Company is unable to maintain or renegotiate its minimum liquidity covenant requirements, it could have a significant adverse effect on the Company’s business, financial condition and operating results.

#### **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 that are not subject to holdbacks.

#### **Accounts Receivable, Net**

Accounts receivable are shown net of an allowance for credit losses of \$35.4 million and \$10.6 million as of December 31, 2020 and 2019, 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 \$0.9 million and \$5.9 million as of December 31, 2020 and 2019, respectively, are included in prepaid expenses and other assets. Expenses related to advertising costs totaled \$216.5 million, \$400.6 million and \$327.3 million for the years ended December 31, 2020, 2019 and 2018, 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,		
	2020	2019	2018
Net income (loss)	\$ (4,012,514)	\$ 930,228	\$ 954,843
Basic weighted-average shares outstanding	254,728,932	214,929,977	223,001,739
Dilutive effect of share awards	—	1,545,099	1,417,466
Diluted weighted-average shares outstanding	254,728,932	216,475,076	224,419,205
Basic earnings (loss) per share	\$ (15.75)	\$ 4.33	\$ 4.28
Diluted earnings (loss) per share	\$ (15.75)	\$ 4.30	\$ 4.25

For the years ended December 31, 2020, 2019 and 2018, a total of 80.0 million, 4.0 million and 4.7 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 a 15% reduction for the estimated residual values of ships as follows:

	<b>Useful Life</b>
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. For ship impairment analyses, the lowest level for which identifiable cash flows are largely independent of other assets and liabilities is each individual ship. 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 estimated 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 Trade Names**

Goodwill represents the excess of cost over the estimated fair value of net assets acquired. Goodwill and other indefinite-lived assets, principally trade names, are reviewed for impairment on December 31 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 estimated fair value of a reporting unit is less than its carrying value. For trade names 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 estimated fair value of each reporting unit to its carrying value, including goodwill. This is called the Step 1 Test which uses discounted future cash flows and other market data to determine the estimated fair value of the reporting units. Our discounted cash flow valuation reflects our principal

assumptions of 1) forecasted future operating results and growth rates, which have been prepared under multiple scenarios and are probability weighted, 2) forecasted capital expenditures for fleet growth and ship improvements and 3) a weighted average cost of capital of market participants. Historically, our Step 1 Test consisted of a combined approach using discounted future cash flows and market multiples to determine the estimated fair value of the reporting units. However, beginning with the Step 1 Test performed as of March 31, 2020 as a result of triggering events, the market multiples were used solely as a corroboratory approach given the impact of COVID-19 on the current year's results, as of the valuation date, as well as prospective results including the lack of any guidance provided, which were not available for our peers. We believe that this approach is the most representative method to estimate fair value as it utilizes expectations of long-term growth as well as current market conditions. For the trade names, we use the relief from royalty method, which uses the same forecasts and discount rates from the discounted cash flow valuation in the goodwill assessment along with a trade name royalty rate assumption.

We have concluded that our business has three 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.

During the year ended December 31, 2020, we recognized a goodwill impairment loss of \$ .3 billion based on the impairment test performed as of March 31, 2020. See Note 4 – “Goodwill and Intangible Assets” for additional information. As of December 31, 2020, there was \$98.1 million of goodwill remaining for the Regent Seven Seas reporting unit. We also recognized an impairment loss for our Oceania Cruises and Regent Seven Seas Cruises trade names in an aggregate amount of \$317.0 million based on the March 31, 2020 impairment test, with \$500.5 million remaining as of December 31, 2020. For our 2020 annual goodwill and trade name impairment evaluations, we elected to perform quantitative testing. Based on the results of the Step 1 Tests at December 31, 2020, we determined there was no further impairment of goodwill because the estimated fair value of the Regent Seven Seas reporting unit substantially exceeded the carrying value. We also determined there was no impairment to our trade names. We believe that we have made reasonable estimates and judgments. However, a change in our estimated future operating cash flows may result in a decline in estimated fair value in future periods, which may result in a need to recognize additional impairment charges.

#### 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,		
	2020	2019	2018
North America	\$ 960,258	\$ 3,807,576	\$ 3,543,282
Europe	27,602	1,666,751	1,462,698
Asia-Pacific	152,976	500,842	721,404
Other	139,072	487,207	327,742
Total revenue	<u>\$ 1,279,908</u>	<u>\$ 6,462,376</u>	<u>\$ 6,055,126</u>



### **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 83%, 81% and 77% for the years ended December 31, 2020, 2019 and 2018, 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 had 19 ships with Bahamas registry with a carrying value of \$9.9 billion as of December 31, 2020 and \$10.2 billion as of December 31, 2019. We had eight ships with Marshall Island registry with a carrying value of \$2.4 billion as of December 31, 2020 and seven ships with Marshall Island registry with a carrying value of \$1.9 billion as of December 31, 2019. We also had one ship with U.S. registry with a carrying value of \$0.3 billion as of December 31, 2020 and 2019.

### **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.

### **Payment-in-Kind Interest**

Payment-in-kind interest is recognized at the stated rate. On the contractual interest payment date, the related par value is recognized at its fair value with any difference between the carrying amount of the accrued interest and the fair value of the new debt recognized as an adjustment in interest expense, net. To the extent that the new debt is issued at a substantial premium, the premium will be recognized as additional paid-in capital. In December 2020, we recognized a \$19.3 million premium for payment-in-kind interest.

### **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 \$15.9 million, a loss of \$7.0 million and a gain of \$19.8 million for the years ended December 31, 2020, 2019 and 2018, 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 or is no longer probable of occurring, 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 August 2020, the Financial Accounting Standards Board ("FASB") issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"), which reduces the number of accounting models for convertible debt instruments and enhances transparency in disclosures. One model which is being eliminated is the bifurcation of embedded conversion features that are not accounted for separately as derivatives. A convertible debt instrument previously accounted for under this model will be accounted for as a single liability measured at its amortized cost. Adoption of the provisions of ASU 2020-06 are required for fiscal years beginning after December 15, 2021; however, early adoption is permitted. We will early adopt this guidance on January 1, 2021 on a modified retrospective basis. As a result of the adoption, the beneficial conversion

feature on the Private Exchangeable Notes (as defined and discussed in Note 8 – “Long-Term Debt”) which is included in additional paid-in-capital will be reclassified to long-term debt. Any related interest which has been recognized will be adjusted through retained earnings. Additional disclosures will be added as necessary.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”), which provided guidance to alleviate the burden in accounting for reference rate reform by allowing certain expedients and exceptions in applying GAAP to contracts, hedging relationships and other transactions impacted by reference rate reform. The provisions apply only to those transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. Adoption of the provisions of ASU 2020-04 are optional and are effective from March 12, 2020 through December 31, 2022. We are currently evaluating the impact of ASU 2020-04 on our 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; however, the Company has modified its final payment schedule for all voyages on Regent Seven Seas Cruises through July 31, 2021 and for all voyages on Oceania Cruises and the majority of bookings for voyages on Norwegian Cruise Line through October 31, 2021 which requires payment 60 days prior to embarkation. 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. Historically, the inception of substantive cancellation penalties generally coincided with the dates that final payment is due, and penalties generally increased as the voyage sail date approaches. In 2020, the Company’s brands launched new cancellation policies to permit its guests to cancel cruises booked within certain windows for specified time periods which are not part of the Company’s temporary suspension of voyages up to 15 days prior to departure. 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, 2020 and 2019, our receivables from customers were \$1.0 million and \$15.3 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. Additionally, future cruise credits are not considered contract liabilities. Our contract liabilities are included within advance ticket sales. As of December 31, 2020, our contract liabilities were \$23.1 million. Of the amounts included within advance ticket sales, the vast majority of deposits held was refundable in accordance with our cancellation policies and it is uncertain to what extent guests may request refunds. Refunds payable to guests are included in accounts payable. As of December 31, 2019, our contract liabilities were \$1.4 billion. Approximately \$0.9 billion of the December 31, 2019 contract liability balance has been recognized in revenue for the year ended December 31, 2020. The revenue recognized in the years ended December 31, 2019 and 2018 that was included in contract liabilities as of the beginning of each respective period was \$1.2 billion and \$1.0 billion, respectively.

Our revenue is seasonal based on demand for cruises, which has historically been strongest during the Northern Hemisphere's summer months; however, our cruise voyages were completely suspended during the last nine months of 2020 due to the COVID-19 pandemic and such suspension has been extended through May 31, 2021. As a result of COVID-19, including the issuance of future cruise credits for suspended voyages in 2020, the suspension of voyages through May 31, 2021 and modifications to our payment and cancellation policies, there has been a significant decline in the contract liability balance as of December 31, 2020.

#### **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 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 generally 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 \$41.3 million and \$143.5 million as of December 31, 2020 and 2019, respectively. Costs to fulfill contracts with customers were \$5.5 million and \$49.7 million as of December 31, 2020 and 2019, 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.

For cruise vacations that had been cancelled by us due to COVID-19, approximately \$171.5 million in costs to obtain these contracts, consisting of protected commissions, including those paid to employees, and credit card fees, were recognized in earnings during the year ended December 31, 2020.

**4. Goodwill and Intangible Assets**

We evaluate goodwill and trade names for impairment annually or more frequently when an event occurs or circumstances change that indicates the carrying value of a reporting unit may not be recoverable. In March 2020, the Company announced a voluntary suspension of all cruise voyages for its three brands, which has subsequently been extended through May 31, 2021. Due to the temporary suspension of voyages and decline in our stock price, we performed interim goodwill and trade name impairment tests as of March 31, 2020. We refer you to Note 10 – “Fair Value Measurements and Derivatives” for information on our valuation assumptions.

The changes in the carrying amount of goodwill for each reporting unit for the year ended December 31, 2020 are as follows (in thousands):

	Reporting Unit			Total Goodwill
	Norwegian Cruise Line	Oceania Cruises	Regent Seven Seas Cruises	
<b>Balance, December 31, 2019</b>	\$ 403,805	\$ 523,026	\$ 462,100	\$ 1,388,931
Impairment loss	(403,805)	(523,026)	(363,966)	(1,290,797)
<b>Balance, December 31, 2020</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 98,134</u>	<u>\$ 98,134</u>

We also impaired our trade names for Oceania Cruises and Regent Seven Seas Cruises by \$170.0 million and \$147.0 million, respectively. Following these impairments, the carrying value of our trade names was \$500.5 million, which consists of \$207.5 million for Norwegian Cruise Line, \$140.0 million for Oceania Cruises and \$153.0 million for Regent Seven Seas Cruises.

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, 2020			Weighted-Average Amortization Period (Years)
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Customer relationships	\$ 120,000	\$ (120,000)	\$ —	6.0
License	750	(406)	344	10.0
<b>Total intangible assets subject to amortization</b>	<u>\$ 120,750</u>	<u>\$ (120,406)</u>	<u>\$ 344</u>	

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

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

	Year Ended December 31,		
	2020	2019	2018
Amortization expense	\$ 9,906	\$ 18,488	\$ 26,163

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
2021	\$ 75
2022	75
2023	75
2024	75
2025	44

## 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.

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating lease expense	\$ 19,406	\$ 31,596
Variable lease expense	9,705	14,284
Short-term lease expense	11,076	50,832
Finance lease cost:		
Amortization of right-of-use assets	1,924	1,765
Interest on lease liabilities	1,072	1,239
Operating lease revenue	173	446
Sublease income	1,616	1,615

Total expense under non-cancelable operating leases, primarily for offices, motor vehicles and office equipment was \$16.9 million for the year ended December 31, 2018 under the previous lease accounting standard (ASC 840).

Lease balances were as follows (in thousands):

	<u>Balance Sheet location</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<b>Operating leases</b>			
Right-of-use assets	Other long-term assets	\$ 209,037	\$ 236,604
Current operating lease liabilities	Accrued expenses and other liabilities	17,700	39,126
Non-current operating lease liabilities	Other long-term liabilities	185,414	207,243
<b>Finance leases</b>			
Right-of-use assets	Property and equipment, net	11,948	13,873
Current finance lease liabilities	Current portion of long-term debt	5,143	6,419
Non-current finance lease liabilities	Long-term debt	4,648	8,812

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

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	\$ 70,555	\$ 75,539
Operating cash outflows from finance leases	898	1,051
Financing cash outflows from finance leases	4,078	2,826
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	823	24,834
Finance leases	—	705

Other supplemental information related to leases was as follows:

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Weighted average remaining lease term (years) - operating leases	7.36	8.30
Weighted average remaining lease term (years) - finance leases	2.89	3.65
Weighted average discount rate - operating leases	3.96 %	3.76 %
Weighted average discount rate - finance leases	7.75 %	7.47 %

As of December 31, 2020, maturities of lease liabilities were as follows (in thousands):

	<u>Operating leases</u>	<u>Finance leases</u>
2021	\$ 27,371	\$ 4,891
2022	32,105	3,910
2023	31,866	683
2024	32,065	630
2025	31,827	544
Thereafter	80,951	38
Total	236,185	10,696
Less: Present value discount	(33,071)	(905)
Present value of lease liabilities	<u>\$ 203,114</u>	<u>\$ 9,791</u>

### **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.”

### **Impact of COVID-19**

In April 2020, the FASB issued interpretive guidance relating to the accounting for lease concessions provided as a result of COVID-19. In this guidance, entities can elect not to apply lease modification accounting with respect to such lease concessions and instead, treat the concession as if it was a part of the existing contract. The Company has elected to not evaluate leases under the lease modification accounting framework for concessions that result from effects of the COVID-19 pandemic. In relation to our rights to use port facilities, we have elected the approach consistent with resolving a contingency, which allows us to remeasure the lease liability and recognize the amount of change in the lease liability as an adjustment to the carrying amount of the associated right-of-use asset. As of December 31, 2020, our port facilities were remeasured with a downward adjustment of \$17.7 million to both other long-term assets and accrued expenses and other liabilities. Another \$2.1 million was reclassified from accrued expenses and other liabilities to other long-term assets as a result of contractual extensions. As the full amount of the concession will not be determinable until the force majeure period under the related arrangements has ended, further remeasurements will be required. During the contingency period, we are recognizing lease expense for these port facilities as incurred.

### **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, 2020. These are primarily related to our rights to use certain port facilities which were under construction during 2020. Although we may have provided design input, construction management services, or advances related to these assets, we have determined that we did not control these assets during the period of construction. As of December 31, 2020, these agreements are under force majeure and are now not expected to commence until the second or third



quarter of 2021. These port facilities have undiscounted minimum annual guarantees of approximately \$1.2 billion of passenger fees.

**6. Accumulated Other Comprehensive Income (Loss)**

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

	<b>Year Ended December 31, 2020</b>		
	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Change Related to Cash Flow Hedges</b>	<b>Change Related to Shipboard Retirement Plan</b>
Accumulated other comprehensive income (loss) at beginning of period	\$ (295,490)	\$ (289,362)	\$ (6,128)
Current period other comprehensive loss before reclassifications	(51,704)	(51,642)	(62)
Amounts reclassified into earnings	107,077	106,670 (1)	407 (2)
Accumulated other comprehensive income (loss) at end of period	<u>\$ (240,117)</u>	<u>\$ (234,334)(3)</u>	<u>\$ (5,783)</u>
	<b>Year Ended December 31, 2019</b>		
	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Change Related to Cash Flow Hedges</b>	<b>Change Related to Shipboard Retirement Plan</b>
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	<u>\$ (295,490)</u>	<u>\$ (289,362)</u>	<u>\$ (6,128)</u>
	<b>Year Ended December 31, 2018</b>		
	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Change Related to Cash Flow Hedges</b>	<b>Change Related to Shipboard Retirement Plan</b>
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	<u>\$ (161,647)</u>	<u>\$ (157,449)</u>	<u>\$ (4,198)</u>

(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 \$62.7 million of loss expected to be reclassified into earnings in the next 12 months.

## 7. Property and Equipment, Net

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

	December 31,	
	2020	2019
Ships	\$ 14,528,133	\$ 14,154,578
Ships improvements	2,109,015	1,865,272
Ships under construction	376,062	387,749
Land and land improvements	58,370	38,375
Other	765,739	672,975
	17,837,319	17,118,949
Less: accumulated depreciation	(4,426,093)	(3,983,612)
Property and equipment, net	\$ 13,411,226	\$ 13,135,337

The increase in ships was primarily due to the addition of Seven Seas Splendor. The Company capitalized approximately \$41.5 million of costs associated with ship improvements. In 2020, one ship had significant improvements that extended the weighted average useful life of the vessel. Accordingly, we have updated our estimate of both its useful life and residual value based on the new weighted average useful life of its current components. The impact of the change in estimate is accounted for on a prospective basis and is not material. Fully depreciated assets on the vessel were also removed from the ship and ship improvement's cost and accumulated depreciation. Depreciation expense for the years ended December 31, 2020, 2019 and 2018 was \$707.9 million, \$627.7 million and \$534.9 million, respectively. Repairs and maintenance expenses including Dry-dock expenses were \$129.9 million, \$199.7 million and \$199.5 million for the years ended December 31, 2020, 2019 and 2018, 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 \$25.2 million, \$32.9 million and \$30.4 million for the years ended December 31, 2020, 2019 and 2018, respectively.

**8. Long-Term Debt**

Long-term debt consisted of the following:

	Interest Rate		Maturities Through	Balance	
	December 31,			December 31,	
	2020	2019		2020	2019
			(in thousands)		
\$875.0 million senior secured Revolving Loan Facility	1.90 %	—	2024	\$ 875,000	\$ —
\$75.0 million revolving credit line	—	2.75 %	2020	—	75,000
Term Loan A Facility	1.93 %	3.06 %	2024	1,536,417	1,565,512
\$400.0 million L. Catterton exchangeable notes (1)	7.00 %	—	2026	278,148	—
\$862.5 million 6.000% exchangeable notes	6.00 %	—	2024	834,941	—
\$450.0 million 5.375% exchangeable notes	5.38 %	—	2025	439,390	—
\$675.0 million 12.25% senior secured notes (2)	12.25 %	—	2024	650,178	—
\$750.0 million 10.25% senior secured notes	10.25 %	—	2026	739,295	—
\$850.0 million 5.875% senior unsecured notes	5.88 %	—	2026	837,659	—
\$565.0 million 3.625% senior unsecured notes	3.63 %	3.63 %	2024	560,019	558,781
\$260 million Norwegian Jewel term loan	1.52 %	2.54 %	2022	221,718	221,860
\$230 million Pride of America term loan	1.15 %	2.81 %	2022	229,558	229,621
€529.8 million Breakaway one loan (3)	1.15 %	2.84 %	2025	307,529	305,969
€529.8 million Breakaway two loan (3)	3.90 %	4.10 %	2026	343,214	370,531
€590.5 million Breakaway three loan (3)	2.83 %	2.98 %	2027	481,085	478,665
€729.9 million Breakaway four loan (3)	2.85 %	2.98 %	2029	633,699	630,088
€710.8 million Seahawk 1 term loan (3)	3.69 %	3.92 %	2030	695,843	692,150
€748.7 million Seahawk 2 term loan (3)	3.71 %	3.92 %	2031	860,212	856,188
Leonardo newbuild one loan	2.68 %	2.68 %	2034	95,563	48,009
Leonardo newbuild two loan	2.77 %	2.77 %	2035	48,009	48,009
Leonardo newbuild three loan	1.22 %	1.22 %	2036	46,519	42,700
Leonardo newbuild four loan	1.31 %	1.31 %	2037	46,519	42,700
Splendor newbuild loan	2.97 %	—	2032	402,177	—
Explorer newbuild loan	3.39 %	3.43 %	2028	251,634	242,449
Marina newbuild loan	1.03 %	2.75 %	2025	134,821	156,319
Riviera newbuild loan	0.96 %	2.48 %	2024	203,038	202,233
Term loan - newbuild related	2.50 %	—	2021	26,387	—
Finance lease and license obligations	Various	Various	2028	27,547	34,909
<b>Total debt</b>				<b>11,806,119</b>	<b>6,801,693</b>
Less: current portion of long-term debt				(124,885)	(746,358)
<b>Total long-term debt</b>				<b>\$ 11,681,234</b>	<b>\$ 6,055,335</b>

(1) Includes discount related to a beneficial conversion feature of \$124.5 million as of December 31, 2020.

(2) Includes original issue discount of \$5.9 million as of December 31, 2020.

(3) Currently U.S. dollar-denominated.

**Credit Facilities**

In March 2020, NCLC had borrowed the full amount of \$875 million under its existing Revolving Loan Facility maturing on January 2, 2024.

In March 2020, NCLC entered into a \$675 million revolving 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 borrowed \$675 million under the Epic Credit Facility, which bore interest at LIBOR plus a margin of 0.80%. The facility was secured by Norwegian Epic, Ltd. In April 2020, NCLC entered into an incremental assumption agreement which extended the maturity date of the revolving facility commitments under the Epic Credit Facility to March 3, 2022. The

revolving facility loans accrued 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 Epic Credit Facility was repaid in July 2020 and terminated as discussed below.

In July 2020, NCLC entered into a EUR 31.2 million loan facility for newbuild related payments. The facility bears interest at a rate of 2.5% per annum. As of December 31, 2020, EUR 21.6 million was drawn under this facility and now matures on April 15, 2022.

#### Modifications

In April 2020, NCLC amended an aggregate amount of \$386 million of export credit backed facilities that finance Norwegian Breakaway, Norwegian Getaway, Norwegian Escape, Norwegian Joy, Norwegian Bliss and Norwegian Encore to incorporate the terms of a 12-month debt holiday initiative offered to the cruise industry by Euler Hermes Aktiengesellschaft (“Hermes”), the official export credit agency 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. 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 separate tranches of loans will accrue interest at a floating rate per annum based on six-month LIBOR plus a margin as follows:

	<u>Margin</u>
€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. See “—2021 Debt Modifications” below for amendments to these facilities subsequent to December 31, 2020.

Also, in April 2020, NCLC amended its \$230 million credit agreement, dated as of January 10, 2019, with Nordea Bank ABP, New York Branch, as administrative agent, and certain other lenders. The amendment extends the maturity date of the term loan 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 0.75% in the case of base rate loans.

In May 2020, NCLC amended its \$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 amendment provides that (a) amortization payments due through May 1, 2021 will be deferred following the consummation of certain debt and equity financings, which resulted in aggregate gross proceeds greater than the amount required for the extension and (b) the principal amount so deferred will constitute a separate tranche of loans under the facility (the “Deferred Jewel Loans”). 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 loan payments will amortize in an aggregate principal amount equal to 25% per annum in semiannual installments, and in the case of such payment due on the maturity date, an amount equal to the then unpaid principal amount of the Deferred Jewel Loans outstanding.

NCLC entered into a Fifth Amended and Restated Credit Agreement, dated as of May 8, 2020 (the “Fifth ARCA”), with a subsidiary of NCLC, as co-borrower and JPMorgan Chase Bank, N.A., as administrative agent, and lenders holding 87.57% of the term loans outstanding (the “Fifth ARCA Deferring Lenders”). This revised facility provides that, among other things, (a) amortization payments due within the first year after effectiveness on the loans under the Term Loan A Facility held by the Fifth ARCA Deferring Lenders will be deferred and (b) the principal amount so deferred will constitute a separate tranche of loans (the “Deferred Term Loan A”). The Deferred Term Loan A will accrue interest (x) in the case of Eurocurrency loans, at a per annum rate based on LIBOR plus a margin of 2.50% or (y) in the case of base

rate loans, at a per annum rate based on the base rate plus a margin of 1.50%. After the end of the deferral period, the Deferred Term Loan A will amortize in an aggregate principal amount equal to 25% per annum of the Deferred Term Loan A, in quarterly installments, and in the case of such payment due on the maturity date, an amount equal to the then unpaid principal amount of the Deferred Term Loan A outstanding. The Term Loan A Facility (other than the Deferred Term Loan A) that is held by the Fifth ARCA Deferring Lenders shall constitute a separate class of loans (the “Term Loan A-1”), with the same terms as the Term Loan A Facility under the Fourth Amended and Restated Credit Agreement, except that the amortization payments on the Term Loan A-1 shall be deferred during the deferral period. The portion of the Term Loan A Facility that is held by lenders other than the Fifth ARCA Deferring Lenders shall constitute a separate class of loans (the “Legacy Term Loan A”) with the same terms as the Term Loan A Facility under the Fourth Amended and Restated Credit Agreement. See “—2021 Debt Modifications” below for amendments to this facility subsequent to December 31, 2020.

In June 2020, NCLC amended the credit facilities secured by Seven Seas Explorer, Seven Seas Splendor, Riviera, Marina, Leonardo One and Leonardo Two to defer amortization with respect to certain of the debt outstanding under the agreements (the “Supplemental Agreements”). The amendments for the Seven Seas Explorer, Seven Seas Splendor, Riviera, Marina, Leonardo One and Leonardo Two facilities summarized below provide \$156 million of incremental liquidity to the Company through March 2021 and are subject to certain customary conditions.

The Supplemental Agreements of Seven Seas Explorer, Seven Seas Splendor, Riviera, and Marina provide that, among other things, (a) amortization payments due during the Deferral Period on the loans will be deferred and (b) the principal amount so deferred will constitute a separate tranche of loans (the “Deferred Loans”). The Deferred Loans will accrue interest at a floating rate per annum based on six-month LIBOR plus a margin as follows:

	<b>Margin</b>
Explorer newbuild loan	2.80 %
Splendor newbuild loan	1.75 %
Marina newbuild loan	0.55 %
Riviera newbuild loan	0.55 %

After the end of the Deferral Period, the Deferred Loans will amortize in an aggregate principal amount equal to 25% per annum of the Deferred Loans, in semiannual installments. Consistent with our amendments to our Hermes-backed credit facilities described above, the Supplemental Agreements provide financial covenant relief and additional restrictions on restricted payments and certain other covenants were added. See “—2021 Debt Modifications” below for amendments to these facilities subsequent to December 31, 2020.

The above modifications resulted in aggregate modification costs of \$17.3 million and a loss on extinguishment of debt of \$5.0 million, which are recognized in interest expense, net for the year ended December 31, 2020.

#### **Secured Notes**

In May 2020, NCLC conducted a private offering of \$675.0 million aggregate principal amount of 12.25% senior secured notes due May 15, 2024 (the “2024 Senior Secured Notes”) at 99% original issue discount. The 2024 Senior Secured Notes pay interest at 12.25% per annum, semiannually on May 15 and November 15 of each year, to holders of record at the close of business on the immediately preceding May 1 and November 1, respectively. NCLC may redeem the 2024 Senior Secured Notes, in whole or part, at any time prior to February 15, 2024, at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest to, but excluding, the redemption date and a “make-whole premium.” NCLC may redeem the 2024 Senior Secured Notes, in whole or in part, on or after February 15, 2024, at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest to, but excluding, the redemption date. At any time and from time to time prior to February 15, 2022, NCLC may choose to redeem up to 35% of the aggregate principal amount of the 2024 Senior Secured Notes with the net proceeds of certain equity offerings, subject to certain restrictions, at a redemption price equal to 112.25% of the principal amount of the 2024 Senior Secured Notes redeemed plus accrued and unpaid interest to, but excluding, the redemption date, so long as at least 65% of the aggregate principal amount of the 2024 Senior Secured Notes issued remains outstanding following such redemption.

The 2024 Senior Secured Notes are secured by first-priority interests in, among other things and subject to certain agreed security principles, shares of capital stock in certain subsidiary guarantors, two of our vessels, our material intellectual property and two islands that we use in the operations of our cruise business. The 2024 Senior Secured Notes are also guaranteed by our subsidiaries that own the property that secures the 2024 Senior Secured Notes as well as certain additional subsidiaries whose assets do not secure the 2024 Senior Secured Notes.

In July 2020, NCLC conducted a private offering of \$750.0 million aggregate principal amount of 10.25% senior secured notes due February 1, 2026 (the “2026 Senior Secured Notes”). The 2026 Senior Secured Notes pay interest at 10.25% per annum, semiannually on February 1 and August 1 of each year, to holders of record at the close of business on the immediately preceding January 15 and July 15, respectively. NCLC may redeem the 2026 Senior Secured Notes, in whole or part, at any time prior to August 1, 2023, at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest to, but excluding, the redemption date and a “make-whole premium.” NCLC may redeem the 2026 Senior Secured Notes, in whole or in part, on or after August 1, 2023, at the redemption prices set forth in the indenture for the 2026 Senior Secured Notes plus accrued and unpaid interest to, but excluding, the redemption date. At any time and from time to time prior to August 1, 2023, NCLC may choose to redeem up to 35% of the aggregate principal amount of the 2026 Senior Secured Notes with the net proceeds of certain equity offerings, subject to certain restrictions, at a redemption price equal to 110.25% of the principal amount of the 2026 Senior Secured Notes redeemed plus accrued and unpaid interest to, but excluding, the redemption date, so long as at least 65% of the aggregate principal amount of the 2026 Senior Secured Notes issued remains outstanding following such redemption.

NCLC used a portion of the proceeds from the offering of the 2026 Senior Secured Notes to repay the \$675 million principal amount plus accrued and unpaid interest outstanding under the Epic Credit Facility, which was secured by the Norwegian Epic. Following the termination of the Epic Credit Facility, the vessel owned and operated by Norwegian Epic, Ltd. was released as collateral, thereby enabling the 2026 Senior Secured Notes and certain of the related guarantees to be secured by a first-priority security interest in, among other things and subject to certain agreed security principles, the Norwegian Epic. The repayment and termination of the Epic Credit Facility resulted in a loss on extinguishment of \$5.5 million, which was recognized in interest expense, net for the year ended December 31, 2020.

The indentures governing the 2024 Senior Secured Notes and 2026 Senior Secured Notes include requirements that, among other things and subject to a number of qualifications and exceptions, restrict the ability of NCLC and its restricted subsidiaries, as applicable, to (i) incur or guarantee additional indebtedness; (ii) pay dividends or distributions on, or redeem or repurchase, equity interests and make other restricted payments; (iii) make investments; (iv) consummate certain asset sales; (v) engage in certain transactions with affiliates; (vi) grant or assume certain liens; and (vii) consolidate, merge or transfer all or substantially all of their assets.

#### **Exchangeable Notes**

In May 2020, NCLC conducted a private offering of \$862.5 million aggregate principal amount of 6.00% exchangeable senior notes due May 15, 2024 (the “2024 Exchangeable Notes”). The 2024 Exchangeable Notes are guaranteed by NCLH on a senior basis. Holders may exchange their 2024 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 2024 Exchangeable Notes, into a number of NCLH’s ordinary shares based on the exchange rate. The exchange rate will initially be 72.7273 ordinary shares per \$1,000 principal amount of 2024 Exchangeable Notes (equivalent to an initial exchange price of approximately \$13.75 per ordinary share). The maximum exchange rate is 89.4454 and reflects potential adjustments to the initial exchange rate, which would only be made in the event of certain make-whole fundamental changes or tax redemption events. The exchange rate referred to above is also subject to adjustment for any stock split, stock dividend or similar transaction. The 2024 Exchangeable Notes pay interest at 6.00% per annum, semiannually on May 15 and November 15 of each year, to holders of record at the close of business on the immediately preceding May 1 and November 1, respectively.

Also in May 2020, NCLH and NCLC entered into an 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 June 1, 2026 (the “Private Exchangeable Notes”). The Private Exchangeable Notes Transaction closed on May 28, 2020. The Private Exchangeable Notes 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 and 7.5% per annum in cash interest for the final year prior to maturity. The Private Investor has certain registration rights in respect of NCLH's ordinary shares underlying the Private Exchangeable Notes and is subject to certain customary transfer, voting and standstill restrictions.

The Private Exchangeable Notes are guaranteed by NCLH 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 NCLH's ordinary shares based on the exchange rate. The exchange rate will initially be approximately 82.6446 ordinary shares per \$1,000 principal amount of Private Exchangeable Notes (equivalent to an initial exchange price of \$12.10 per ordinary share). The maximum exchange rate is 90.9090 and reflects potential adjustments to the initial exchange rate, which would only be made in the event of certain make-whole fundamental changes or tax redemption events. The exchange rate referred to above is also subject to adjustment for any stock split, stock dividend or similar transaction. NCLC has the right to redeem all or a portion of the Private Exchangeable 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 NCLH's 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.

The Private Exchangeable Notes contain a beneficial conversion feature, which resulted from a significant increase in our share price between the execution of the agreement and the issuance of the notes. A beneficial conversion feature is a nondetachable conversion feature that is "in-the-money" at the commitment date. The in-the-money portion, also known as the intrinsic value of the option, is recorded in equity, with an offsetting discount to the carrying amount of convertible debt to which it is attached. The discount is amortized to interest expense over the life of the debt with adjustments to amortization upon full or partial conversions of the debt. The beneficial conversion feature for the Private Exchangeable Notes is \$131.2 million and is recognized within additional paid-in capital.

In July 2020, NCLC conducted a private offering of \$450.0 million aggregate principal amount of 5.375% exchangeable senior notes due August 1, 2025 (the "2025 Exchangeable Notes"). The 2025 Exchangeable Notes are guaranteed by NCLH on a senior basis. Holders may exchange their 2025 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 2025 Exchangeable Notes, into a number of NCLH's ordinary shares based on the exchange rate. The exchange rate will initially be 53.3333 ordinary shares per \$1,000 principal amount of 2025 Exchangeable Notes (equivalent to an initial exchange price of approximately \$18.75 per ordinary share). The maximum exchange rate is 66.6666 and reflects potential adjustments to the initial exchange rate, which would only be made in the event of certain make-whole fundamental changes or tax redemption events. The exchange rate referred to above is also subject to adjustment for any stock split, stock dividend or similar transaction. The 2025 Exchangeable Notes pay interest at 5.375% per annum, semiannually on February 1 and August 1 of each year, to holders of record at the close of business on the immediately preceding January 15 and July 15, respectively.

The net carrying amounts of the liability components of our exchangeable notes consist of the following (in thousands):

	<b>December 31, 2020</b>
Principal amount	\$ 1,726,811
Less: Unamortized debt discount, including deferred financing fees	(174,331)
Net carrying value	<u>\$ 1,552,480</u>

The remaining period over which the unamortized debt discount will be recognized as non-cash interest expense is 3.4 years, 4.6 years and 5.4 years for the 2024 Exchangeable Notes, 2025 Exchangeable Notes and Private Exchangeable Notes, respectively.

The following table presents the interest expense recognized related to the exchangeable notes (in thousands):

	<b>Year Ended December 31, 2020</b>
Interest expense, including amortization of debt discounts and coupon interest	<u>\$ 93,199</u>

The effective interest rate is 7.07%, 5.97% and 15.54% for the 2024 Exchangeable Notes, 2025 Exchangeable Notes and the Private Exchangeable Notes, respectively.

As of December 31, 2020, the if-converted value above par was \$732.7 million on available shares of 62.7 million, \$160.3 million on available shares of 24.0 million and \$456.4 million on available shares of 34.2 million for the 2024 Exchangeable Notes, 2025 Exchangeable Notes and the Private Exchangeable Notes, respectively.

### **Unsecured Notes**

In December 2020, NCLC conducted a private offering of \$850.0 million aggregate principal amount of 5.875% senior secured notes due March 15, 2026 (the "2026 Senior Unsecured Notes"). The 2026 Senior Unsecured Notes pay interest at 5.875% per annum, semiannually on March 15 and September 15 of each year, commencing on March 15, 2021, to holders of record at the close of business on the immediately preceding March 1 and September 1, respectively. NCLC may redeem the 2026 Senior Unsecured Notes, in whole or part, at any time prior to December 15, 2025, at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest to, but excluding, the redemption date and a "make-whole premium." NCLC may redeem the 2026 Senior Unsecured Notes, in whole or in part, on or after December 15, 2025, at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest to, but excluding, the redemption date. At any time and from time to time prior to December 15, 2022, NCLC may choose to redeem up to 40% of the aggregate principal amount of the 2026 Senior Unsecured Notes with the net proceeds of certain equity offerings, subject to certain restrictions, at a redemption price equal to 105.875% of the principal amount of the 2026 Senior Unsecured Notes redeemed plus accrued and unpaid interest to, but excluding, the redemption date, so long as at least 60% of the aggregate principal amount of the 2026 Senior Unsecured Notes issued remains outstanding following such redemption.

The indenture governing the 2026 Senior Unsecured Notes includes requirements that, among other things and subject to a number of qualifications and exceptions, restrict the ability of NCLC and its restricted subsidiaries, as applicable, to (i) incur or guarantee additional indebtedness; (ii) pay dividends or distributions on, or redeem or repurchase, equity interests and make other restricted payments; (iii) make investments; (iv) consummate certain asset sales; (v) engage in certain transactions with affiliates; (vi) grant or assume certain liens; and (vii) consolidate, merge or transfer all or substantially all of their assets.

### **2021 Modifications**

On January 29, 2021, NCLC entered into an amendment agreement (the "First Amendment"), which amends the Fifth ARCA (as amended by the First Amendment, the "Senior Secured Credit Facility"). The First Amendment provides that, among other things, (a) amortization payments due between the First Amendment effective date and prior to June 30, 2022 (the "First Amendment Deferral Period") on the Legacy Term Loan A and Term Loan A-1 held by lenders that have consented to such deferral (the "First Amendment Deferring Lenders") are deferred and such deferred principal amount constitutes a separate tranche of loans (the "Deferred Term Loan A-1") and (b) the Deferred Term Loan A loans of First Amendment Deferring Lenders were converted into Deferred Term Loan A-1 loans. The Legacy Term Loan A and Term Loan A-1 that were held by the First Amendment Deferring Lenders (other than amounts converted into the Deferred Term Loan A-1) constitute a separate tranche of loans (the "Term Loan A-2"), with the same terms as the Legacy Term Loan A and Term Loan A-1 under the Fifth ARCA, except that amortization payments on the Term Loan A-2 shall be deferred during the First Amendment Deferral Period and thereafter such Term Loan A-2 will amortize in an aggregate principal amount equal to approximately 5.88% per annum and the interest rate for Term Loan A-2 shall be modified as described below. The Deferred Term Loan A-1 will accrue interest (x) in the case of Eurocurrency loans, at a per annum rate based on LIBOR plus a margin of 2.50% or (y) in the case of base rate loans, at a per annum rate based on the base rate plus a margin of 1.50%. After the end of the First Amendment Deferral Period, the Deferred Term Loan



A-1 will amortize in an aggregate principal amount equal to 25% per annum of the Deferred Term Loan A-1 outstanding immediately after the consummation of the First Amendment, in quarterly installments, and in the case of such payment due on the maturity date, an amount equal to the then unpaid principal amount of the Deferred Term Loan A-1 outstanding. The Legacy Term Loan A, Term Loan A-1 and Deferred Term Loan A that were held by lenders other than the First Amendment Deferring Lenders constitute separate classes of loans and were unchanged. The First Amendment resulted in deferred amortization payments aggregating approximately \$70 million prior to June 30, 2022.

The First Amendment provides that, (a) from the First Amendment effective date to and including December 31, 2022 (the "Covenant Relief Period") the testing of the loan to value, debt to capitalization and EBITDA to debt service covenants under the Senior Secured Credit Facility will be suspended and the free liquidity test will be replaced by a covenant to maintain at least \$200 million in free liquidity, certified on a monthly basis. During the Covenant Relief Period the interest rate for Term Loan A-2 and revolving loans held by Lenders that consented to the First Amendment will be LIBOR plus 2.00% (or base rate plus 1.00%) with decreases subject to a leverage-based pricing grid. The First Amendment also makes certain other changes to the Senior Secured Credit Facility, including tightening certain of the baskets applicable to our ability to make certain asset dispositions, investments and restricted payments.

In addition, in February 2021, NCLC amended all of its export-credit backed facilities to defer amortization payments aggregating approximately \$680 million through March 31, 2022 and/or make certain changes in respect of covenants and undertakings contained therein.

The facilities that finance Norwegian Breakaway, Norwegian Getaway, Norwegian Escape, Norwegian Joy, Norwegian Bliss, Norwegian Encore, Seven Seas Explorer, Seven Seas Splendor, Riviera and Marina were amended to provide that, among other things, (a) amortization payments due from April 1, 2021 to March 31, 2022 (the "Second 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 separate tranches of loans will accrue interest at a floating rate per annum based on six-month LIBOR plus a margin as follows:

	<b>Margin</b>
€529.8 million Breakaway one loan (Norwegian Breakaway)	1.10 %
€529.8 million Breakaway two loan (Norwegian Getaway)	1.40 %
€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)	1.20 %
€748.7 million Seahawk 2 term loan (Norwegian Encore)	1.20 %
Explorer newbuild loan	3.00 %
Splendor newbuild loan	1.95 %
Marina newbuild loan	0.75 %
Riviera newbuild loan	0.75 %

After the end of the Second Deferral Period, the deferred loans will amortize in an aggregate principal amount equal to 20% per annum of the deferred loans, in semiannual installments.

In addition, all of NCLC's export-credit backed facilities were amended to provide that, from the effective date of the amendments to and including December 31, 2022, certain of the financial covenants under such facilities will be suspended and the free liquidity test will be replaced by a covenant to maintain at least \$200 million in free liquidity. The amendments also made certain other changes to the facilities, including imposing further restrictions on NCLC's ability to incur debt, create security, issue equity and make dividends and other distributions.

#### **Interest Expense**

Interest expense, net for the year ended December 31, 2020 was \$482.3 million which included \$42.2 million of amortization of deferred financing fees and a \$27.8 million loss on extinguishment and modification of debt. 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 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 and modification of debt.

### Debt Repayments

As a result of the aforementioned executed amendments, we have reclassified \$671.1 million of debt which was originally classified as a current liability based on the contractual maturities outstanding at December 31, 2020 to long-term debt. The following are scheduled principal repayments on long-term debt including finance lease obligations as of December 31, 2020 for each of the next five years (in thousands):

Year	Amount
2021	\$ 124,829
2022	1,192,923
2023	917,893
2024	5,051,867
2025	1,045,773
Thereafter	3,818,798
Total	\$ 12,152,083

We had an accrued interest liability of \$101.9 million and \$33.3 million as of December 31, 2020 and 2019, respectively.

### Debt Covenants

At December 31, 2020, we were in compliance with all of our debt covenants. Subsequent to December 31, 2020, we have received certain financial and other debt covenant waivers through December 31, 2022 and added new free liquidity requirements. If we do not continue to remain in compliance with our covenants, including following the expiration of any current waivers, we would have to seek additional amendments to our 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 would have a material adverse impact on our operations and liquidity.

### 9. Related Party Disclosures

NCLC, as issuer, NCLH, as guarantor, and U.S. Bank National Association, as trustee are all parties to an indenture, dated May 28, 2020 (the "Indenture") related to the Private Exchangeable Notes, which are currently held by the Private Investor. The terms of the Indenture are more fully described under Note 8 — "Long-Term Debt". Based on the initial exchange rate, the Private Investor beneficially owned over 10% of NCLH's outstanding ordinary shares as of December 31, 2020. The initial exchange rate in the Private Exchangeable Notes may be adjusted in the event of certain make-whole fundamental changes or tax redemption events (each, as described in the Indenture), but the maximum number of NCLH ordinary shares issuable upon an exchange in the event of such an adjustment would not exceed 46,577,947. The Private Exchangeable Notes also contain certain anti-dilution provisions that could subject the exchange rate to additional adjustment if certain events occur.

NCLH, NCLC and the Private Investor also entered into an investor rights agreement dated May 28, 2020 (the "Investor Rights Agreement") which provides that, among other things, the Private Investor is entitled to nominate one person who will be appointed to the board of directors of NCLH until the first date on which the Private Investor no longer beneficially owns in the aggregate at least 50% of the number of NCLH's ordinary shares issuable upon exchange of the Private Exchangeable Notes beneficially owned by the Private Investor in the aggregate as of May 28, 2020 (subject to certain adjustments).

The Investor Rights Agreement also provides for customary registration rights for the Private Investor and its affiliates, including demand and piggyback registration rights, contains customary transfer restrictions and provides that the

Private Investor and its affiliates are subject to a voting agreement with respect to certain matters during a specified period of time.

## **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, 2020, we had fuel swaps, which are used to mitigate the financial impact of volatility of fuel prices pertaining to approximately 596 thousand metric tons of our projected fuel purchases, maturing through December 31, 2023. Beginning in July 2020, our fuel swaps designated as hedges for heavy fuel oil failed the effectiveness tests required for recognition within accumulated other comprehensive income (loss). As a result, the change in fair value related to these fuel swaps have been recognized in other income (expense), net for July through September of 2020. On November 1, 2020, the approximately 197 thousand metric tons of fuel hedges for heavy fuel oil maturing through December 31, 2022 were dedesignated as cash flow hedges.

As of December 31, 2020, we had fuel swaps which were not designated as cash flow hedges. Due to a decrease in forecasted fuel consumption resulting from voyage cancellations due to COVID-19, we released into earnings fuel hedges of approximately 89 thousand metric tons of fuel as these forecasted transactions were no longer probable of occurring. The agreements mature through September 30, 2021.

As of December 31, 2020, 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 €0.9 billion, or \$2.3 billion based on the euro/U.S. dollar exchange rate as of December 31, 2020.

As of December 31, 2020, 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 \$0.7 billion as of December 31, 2020.

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

Balance Sheet Location	Assets		Liabilities	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<b>Derivative Contracts Designated as Hedging Instruments</b>				
Fuel contracts				
Other long-term assets	\$ —	\$ 277	\$ —	\$ —
Accrued expenses and other liabilities	—	2,300	35,973	18,257
Other long-term liabilities	—	683	28,947	17,763
Foreign currency contracts				
Prepaid expenses and other assets	5,779	—	—	—
Other long-term assets	43,250	—	—	—
Accrued expenses and other liabilities	—	—	14,778	33,475
Other long-term liabilities	6,821	169	44,938	118,500
Interest rate contracts				
Accrued expenses and other liabilities	—	—	6,776	2,178
Other long-term liabilities	—	—	452	1,861
<b>Total derivatives designated as hedging instruments</b>	<b>\$ 55,850</b>	<b>\$ 3,429</b>	<b>\$ 131,864</b>	<b>\$ 192,034</b>
<b>Derivative Contracts Not Designated as Hedging Instruments</b>				
Fuel contracts				
Accrued expenses and other liabilities	\$ 546	\$ —	\$ 6,732	\$ —
Other long-term liabilities	—	—	3,534	—
<b>Total derivatives not designated as hedging instruments</b>	<b>\$ 546</b>	<b>\$ —</b>	<b>\$ 10,266</b>	<b>\$ —</b>
<b>Total derivatives</b>	<b>\$ 56,396</b>	<b>\$ 3,429</b>	<b>\$ 142,130</b>	<b>\$ 192,034</b>

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):

	Gross Amounts	Gross Amounts Offset	Total Net Amounts	Gross Amounts Not Offset	Net Amounts
<b>December 31, 2020</b>					
Assets	\$ 49,029	\$ —	\$ 49,029	\$ (49,029)	\$ —
Liabilities	142,130	(7,367)	134,763	(57,351)	77,412
<b>December 31, 2019</b>					
Assets	\$ 277	\$ —	\$ 277	\$ —	\$ 277
Liabilities	192,034	(3,152)	188,882	(149,863)	39,019

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,		
	2020	2019	2018		2020	2019	2018
Fuel contracts	\$ (157,669)	\$ 46,154	\$ (52,949)	Fuel	\$ (45,488)	\$ 14,093	\$ 34,410
Fuel contracts	—	—	—	Other income (expense), net	(49,653)	—	—
Foreign currency contracts	116,496	(163,197)	(108,911)	Depreciation and amortization	(4,929)	(3,062)	(3,463)
Interest rate contracts	(10,469)	(5,972)	646	Interest expense, net	(6,600)	(2,133)	(851)
Total gain (loss) recognized in other comprehensive income	\$ (51,642)	\$ (123,015)	\$ (161,214)		\$ (106,670)	\$ 8,898	\$ 30,096

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

	Year Ended December 31, 2020			
	Fuel	Depreciation and Amortization	Interest Expense, net	Other Income (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	\$ 264,712	\$ 717,840	\$ 482,313	(33,599)
Amount of gain (loss) reclassified from accumulated other comprehensive income (loss) into income				
Fuel contracts	(45,488)	—	—	—
Foreign currency contracts	—	(4,929)	—	—
Interest rate contracts	—	—	(6,600)	—
Amount of loss reclassified from accumulated other comprehensive income (loss) into income as a result that a forecasted transaction is no longer probable of occurring				
Fuel contracts	—	—	—	(49,653)
Amount of gain recognized in income as a result of failing effectiveness tests				
Fuel contracts	—	—	—	5,507

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 derivatives not designated as hedging instruments on the consolidated statements of operations include the following (in thousands):

	Location of Gain (Loss)	Amount of Gain (Loss) Recognized in Income		
		Year Ended December 31,		
		2020	2019	2018
Derivatives not designated as hedging instruments				
Fuel contracts	Other income (expense), net	\$ 20,932	\$ —	\$ —

### Long-Term Debt

As of December 31, 2020 and 2019, the fair value of our long-term debt, including the current portion, was \$4,197.8 million and \$6,957.8 million, respectively, which was \$2,176.1 million higher and \$31.3 million higher, respectively, than the carrying values, excluding deferred financing costs. 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 as well as the beneficial conversion feature recognized on the Private Exchangeable Notes. The fair value of our long-term revolving and term loan facilities was calculated based on estimated rates for the same or similar instruments with similar terms and remaining maturities. The fair value of our exchangeable notes considers observable risk-free rates; credit spreads of the same or similar instruments; and share prices, tenors, and historical and implied volatilities which are sourced from observable market data. The inputs are considered to be Level 2 in the fair value hierarchy. Market risk associated with our long-term variable rate debt is the potential increase in interest expense from an increase in interest rates or from an increase in share values.

### Non-Recurring Measurements of Non-Financial Assets

Goodwill and trade names are nonfinancial instruments that are measured at fair value on a non-recurring basis. In January 2017, the FASB issued 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 measured 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 was adopted with an effective date of January 1, 2020, and therefore, our interim goodwill impairment tests as of March 31, 2020 were performed using only a Step 1 test.

The Step 1 Test used discounted future cash flows and other market data to determine the estimated fair value of the reporting units at March 31, 2020, which are all considered Level 3 inputs. Our discounted cash flow valuation reflected our principal assumptions of 1) forecasted future operating results and growth rates, which have been prepared under multiple scenarios and are probability weighted, 2) forecasted capital expenditures for fleet growth and ship improvements and 3) a weighted average cost of capital of market participants. Historically, our Step 1 Test consisted of a combined approach using discounted future cash flows and market multiples to determine the estimated fair value of

the reporting units. However, beginning with the Step 1 Test performed as of March 31, 2020 as a result of triggering events, the market multiples were used solely as a corroboratory approach given the impact of COVID-19 on the current year's results, as of the valuation date, as well as prospective results including the lack of any guidance provided, which were not available for our peers. We concluded that this approach is the most representative method to estimate fair value as it utilizes expectations of long-term growth as well as current market conditions. For the trade names, we used the relief from royalty method, which uses the same forecasts and discount rates from the discounted cash flow valuation in the goodwill assessment along with a trade name royalty rate assumption. We believe that we made reasonable estimates and judgments. As of December 31, 2020, our annual review supports the carrying value of these assets; however, a change in our estimated future operating cash flows may result in a decline in estimated fair value in future periods, which may result in a need to recognize additional impairment charges.

#### Other

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

### 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 5,035,106 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, 2020, 2019 and 2018 or performance-based share option awards granted for the year ended December 31, 2020 and 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 these awards had been ascertained in 2018. 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:

	<b>2018</b>
Dividend yield	—%
Expected share price volatility	31.50% - 32.20%
Risk-free interest rate	2.48% - 2.58%
Expected term	3.72 - 4.22 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	Performance-Based	Market-Based	Time-Based	Performance-Based	Market-Based		
	Awards	Awards	Awards	Awards	Awards	Awards		
Outstanding as of January 1, 2020	4,918,554	115,489	208,333	\$ 51.84	\$ 59.11	\$ 59.43	5.42	\$ 33,413
Exercised	(48,221)	(906)	—	44.38	19.00	—	—	—
Forfeited and cancelled	(345,126)	—	—	51.24	—	—	—	—
Outstanding as of December 31, 2020	<u>4,525,207</u>	<u>114,583</u>	<u>208,333</u>	<u>\$ 51.96</u>	<u>\$ 59.43</u>	<u>\$ 59.43</u>	<u>4.42</u>	<u>\$ —</u>
Vested and expected to vest as of December 31, 2020	<u>4,525,207</u>	<u>114,583</u>	<u>—</u>	<u>\$ 51.96</u>	<u>\$ 59.43</u>	<u>\$ —</u>	<u>4.42</u>	<u>\$ —</u>
Exercisable as of December 31, 2020	<u>4,525,207</u>	<u>114,583</u>	<u>—</u>	<u>\$ 51.96</u>	<u>\$ 59.43</u>	<u>\$ —</u>	<u>4.42</u>	<u>\$ —</u>

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 year ended December 31, 2018 was \$15.20. The total intrinsic value of share options exercised during 2020, 2019 and 2018 was \$0.6 million, \$13.3 million and \$16.7 million, respectively, and total cash received by the Company from exercises was \$2.2 million, \$28.3 million and \$25.8 million, respectively. As of December 31, 2020, there was no unrecognized compensation cost, related to options granted under our share-based incentive plans.

**Restricted Share Unit (“RSU”) Awards**

On July 27, 2020, NCLH granted 2.5 million time-based RSU awards to our employees, which vest on July 27, 2022. Additionally, on July 27, 2020, NCLH granted 0.3 million performance-based RSU awards to certain members of our management team, which vest upon the achievement of certain non-financial performance hurdles and generally require continued employment through July 27, 2022.

On March 2, 2020, NCLH granted to certain employees 2.4 million time-based RSU awards which vest equally over three years. Also, on March 2, 2020, NCLH granted to certain members of our management team 0.6 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 or other non-financial targets. Although the terms of the performance-based RSU awards provide the compensation committee with the discretion to make certain adjustments to the performance calculation, a mutual understanding of the key terms and conditions of these awards has been ascertained. 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, 2020	3,245,625	\$ 54.94	1,129,396	\$ 56.09	50,000	\$ 59.43
Granted	5,380,123	23.69	945,598 (1)	27.75	—	—
Vested	(1,610,315)	54.01	(192,523)	56.27	—	—
Forfeited or expired	(351,508)	43.53	(317,287)	53.72	—	—
Non-vested as of December 31, 2020	<u>6,663,925</u>	<u>\$ 30.54</u>	<u>1,565,184</u>	<u>\$ 39.42</u>	<u>50,000</u>	<u>\$ 59.43</u>
Non-vested and expected to vest as of December 31, 2020	<u>6,663,925</u>	<u>\$ 30.54</u>	<u>981,098</u>	<u>\$ 41.71</u>	<u>—</u>	<u>\$ —</u>

(1) Number of performance-based RSU awards included assumes maximum achievement of performance targets.

As of December 31, 2020, there were total unrecognized compensation costs related to non-vested time-based, non-vested performance-based and market-based RSUs of \$127.8 million, \$6.1 million and \$0, respectively. The costs are expected to be recognized over a weighted-average period of 1.7 years, 1.0 years and 0 years, respectively, for the time-based, performance-based and market-based RSUs. Taxes paid pursuant to net share settlements in 2020, 2019 and 2018 were \$15.4 million, \$20.9 million and \$13.9 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, 2020 and 2019, we had a liability for payroll withholdings received of \$1.4 million and \$2.1 million, respectively.

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

Classification of expense	Year Ended December 31,		
	2020	2019	2018
Payroll and related (1)	\$ 21,190	\$ 17,597	\$ 15,629
Marketing, general and administrative (2)	90,107	77,458	100,354
Total share-based compensation expense	<u>\$ 111,297</u>	<u>\$ 95,055</u>	<u>\$ 115,983</u>

- (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



The discount rates used in the net periodic benefit cost calculation for the years ended December 31, 2020, 2019 and 2018 were 3.2%, 4.2% and 3.6%, respectively, and the actuarial loss is amortized over 18.57 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
2021	\$ 918
2022	989
2023	1,118
2024	1,224
2025	1,339
Next five years	11,004

## 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,		
	2020	2019	2018
Bermuda	\$ —	\$ —	\$ —
Foreign - Other	(4,000,047)	911,365	969,310
Net income (loss) before income taxes	<u>\$ (4,000,047)</u>	<u>\$ 911,365</u>	<u>\$ 969,310</u>

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

	Year Ended December 31,		
	2020	2019	2018
<b>Current:</b>			
Bermuda	\$ —	\$ —	\$ —
United States	5,853	(975)	(7,409)
Foreign - Other	(5,502)	(6,294)	(5,371)
Total current:	<u>351</u>	<u>(7,269)</u>	<u>(12,780)</u>
<b>Deferred:</b>			
Bermuda	—	—	—
United States	(12,690)	25,785	(1,912)
Foreign - Other	(128)	347	225
Total deferred:	<u>(12,818)</u>	<u>26,132</u>	<u>(1,687)</u>
Income tax benefit (expense)	<u>\$ (12,467)</u>	<u>\$ 18,863</u>	<u>\$ (14,467)</u>

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,		
	2020	2019	2018
Tax at Bermuda statutory rate	\$ —	\$ —	\$ —
Foreign income taxes at different rates	24,479	(18,630)	(17,540)
Tax contingencies	(626)	(206)	(5)
Return to provision adjustments	1,684	2,014	2,961
Benefit (expense) from change in tax rate	—	(14)	117
Valuation allowance	(38,004)	35,699	—
Income tax benefit (expense)	<u>\$ (12,467)</u>	<u>\$ 18,863</u>	<u>\$ (14,467)</u>

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

	As of December 31,	
	2020	2019
Deferred tax assets:		
Loss carryforwards	\$ 77,411	\$ 54,342
Other	7,090	3,573
Valuation allowance	(42,876)	(5,847)
Total net deferred assets	<u>41,625</u>	<u>52,068</u>
Deferred tax liabilities:		
Property and equipment	(41,893)	(39,571)
Total deferred tax liabilities	<u>(41,893)</u>	<u>(39,571)</u>
Net deferred tax asset (liability)	<u>\$ (268)</u>	<u>\$ 12,497</u>

We have U.S. net operating loss carryforwards of \$352.9 million and \$238.8 million for the years ended December 31, 2020 and 2019, respectively, which begin to expire in 2030, a portion of which relate to Prestige discussed further below. We have state net operating loss carryforwards of \$5.4 million and \$3.4 million for the years ended December 31, 2020 and 2019, respectively, which expire between 2026 through 2040. We evaluate our deferred tax assets each period to determine if a valuation allowance is required based on whether it is more likely than not that some portion of the deferred tax assets would not be realized. The ultimate realization of these deferred tax assets is dependent upon the generation of sufficient taxable income during future periods. We conduct our evaluation by considering all available positive and negative evidence. This evaluation considers, among other factors, historical operating results, forecasts of future profitability, the duration of statutory carryforward periods, and the outlooks for the cruise industry and broader economy. Based on the weight of available evidence, we have recorded a valuation allowance during the fourth quarter of 2020 in the amount of \$39.6 million with respect to the U.S. net deferred tax assets in one of our U.S. and several of our foreign subsidiaries.

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 \$13.4 million and \$13.3 million for the years ended December 31, 2020 and 2019, 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 had U.K. net operating loss carryforwards of \$5.5 million for the year ended December 31, 2019; however, there are no outstanding net loss carryforwards as of December 31, 2020.

Included above are deferred tax assets associated with Prestige. We have U.S. net operating loss carryforwards of \$55.0 million and \$145.0 million for the years ended December 31, 2020 and 2019, respectively, which begin to expire in 2030. 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. During the first quarter of 2019, we completed a Section 382 study that determined the amount of the Prestige net operations loss carryforwards that could 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 the fourth quarter of 2020, the valuation allowance recognized includes \$30.0 million on the Prestige U.S. net operating loss carryforwards.

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

	As of December 31,	
	2020	2019
Unrecognized tax benefits, beginning of year	\$ 732	\$ 532
Gross increases in tax positions from prior periods	620	200
Unrecognized tax benefits, end of year	<u>\$ 1,352</u>	<u>\$ 732</u>

If the \$1.4 million of unrecognized tax benefits at December 31, 2020 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 2017, except for years in which NOLs generated prior to 2017 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 six additional ships, each ranging from approximately 140,000 to 156,300 Gross Tons with approximately 3,300 to 3,550 Berths, with expected delivery dates from 2022 through 2027. For the Regent brand, we have one Explorer Class Ship on order to be delivered in 2023, which will be approximately 55,000 Gross Tons and 750 Berths. For the Oceania Cruises brand, we have orders for two Allura Class Ships to be delivered in 2023 and 2025. Each of the Allura Class Ships will be approximately 67,000 Gross Tons and 1,200 Berths. The impacts of COVID-19 on the shipyards where our ships are under construction (or will be

constructed) have resulted in some delays in expected ship deliveries, and the impacts of COVID-19 could result in additional delays in ship deliveries in the future, which may be prolonged.

The combined contract prices of the nine ships on order for delivery was approximately €7.1 billion, or \$8.7 billion based on the euro/U.S. dollar exchange rate as of December 31, 2020. 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, 2020, minimum annual payments for non-cancelable ship construction contracts with initial or remaining terms in excess of one year were as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2021	\$ 463,549
2022	1,118,430
2023	2,168,127
2024	1,092,766
2025	1,758,314
Thereafter	1,870,807
<b>Total minimum annual payments</b>	<b>\$ 8,471,993</b>

Subsequent to December 31, 2020, \$194.1 million of payments anticipated in 2021 have been deferred and we have a memorandum of agreement in place to finance another \$35.2 million.

#### **Port Facility Commitments**

As of December 31, 2020, future commitments to pay for usage of certain port facilities were as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2021	\$ 71,691
2022	71,296
2023	71,460
2024	75,822
2025	70,132
Thereafter	1,707,376
<b>Total port facility future commitments</b>	<b>\$ 2,067,777</b>

Our port facilities agreements generally include force majeure provisions that may alleviate an unspecified amount of obligations under minimum guarantees during the COVID-19 pandemic. In 2020, the Company provided the required notice that such provisions were being enacted. Customary practice is to prorate these obligations for the annual period impacted.

#### **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.

In addition, 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, 2020, we have in place

approximately £39.3 million of security guarantees for our brands as well as a consumer protection policy covering up to £48.3 million. The Company has provided approximately \$30.5 million in cash to secure all the financial security guarantees required.

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**

### ***Class Actions***

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, 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. On July 31, 2020, a consolidated amended class action complaint was filed by lead plaintiff's counsel. The complaint asserts 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. The complaint seeks 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 March 10, 2020. We believe that the allegations contained in the complaint are without merit and intend to defend the complaint vigorously. We cannot predict at this point the length of time that this action 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 pandemic. 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.

### ***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 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 which was subsequently denied. On September 1, 2020, the Court entered an order staying all case deadlines and administratively closed the Garcia-Bengochea matter pending the outcome of the appeal in a related case brought by the same plaintiff. We believe we have meritorious defenses to the claims and intend to vigorously defend these matters. As of December 31, 2020, we are unable to reasonably estimate any potential contingent loss from these matters.

**Other**

In the normal course of our business, various other 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.

**Other Contingencies**

The Company also has agreements with its credit card processors that govern approximately \$1.0 billion at December 31, 2020 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 would be satisfied by posting collateral. Although the agreements vary, these requirements may generally be satisfied either through a percentage of customer payments withheld or providing cash funds directly to the card processor. Any cash reserve or collateral requested could be increased or decreased.

As of December 31, 2020, we had a reserve of approximately \$200 million with a credit card processor recognized in other long-term assets, and in January 2021, we provided additional cash collateral of \$250 million. Additionally, we are required to fund all refunds until further notice and 100% of incoming advance ticket sales deposits with this credit card processor will be withheld and are not expected to be released until the credit card processor's exposure is fully collateralized. As of December 31, 2020, the exposure was approximately \$780 million. The reserve shortfall of approximately \$330 million, after taking into effect the January additional collateral provided, will decrease as refunds are funded, cruises are provided and amounts withheld by the credit card processor are allocated to the reserve rather than remitted to the Company. We may be required to find new credit card processors, pledge additional collateral and/or post cash reserves or take other actions that may further reduce our liquidity.

**14. Other Income (Expense),  
Net**

Other income (expense), net was expense of \$33.6 million, income of \$6.2 million, and income of \$20.7 million for the years ended December 31, 2020, 2019 and 2018, respectively. In 2020, the expense was primarily due to losses from foreign currency exchange and fuel hedges recognized in earnings as a result of the forecasted transactions no longer being probable or that are no longer designated as hedges. 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 related to foreign currency exchange gains.

**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 \$59.0 million, \$153.6 million and \$153.7 million for the years ended December 31, 2020, 2019 and 2018, 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, 2020, we had non-cash investing activities related to property and equipment of \$17.7 million. Additionally, we received seller financing related to the acquisition of property and equipment resulting in both



non-cash investing and financing activities of \$11.9 million. For the year ended December 31, 2020, we paid income taxes of \$3.5 million and interest and related fees, net of capitalized interest, of \$447.9 million.

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 in connection with property and equipment of \$9.7 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.

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

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2020	2019	2020	2019	2020	2019	2020	2019
Total revenue	\$ 1,246,882	\$ 1,403,630	\$ 16,929	\$ 1,664,277	\$ 6,518	\$ 1,913,851	\$ 9,579	\$ 1,480,618
Operating income (loss)	\$ (1,824,061)	\$ 158,296	\$ (595,411)	\$ 308,681	\$ (517,783)	\$ 511,724	\$ (546,880)	\$ 199,376
Net income (loss)	\$ (1,880,972)	\$ 118,157	\$ (715,243)	\$ 240,190	\$ (677,366)	\$ 450,584	\$ (738,933)	\$ 121,297
Earnings (loss) per share:								
Basic	\$ (8.80)	\$ 0.54	\$ (2.99)	\$ 1.11	\$ (2.50)	\$ 2.10	\$ (2.51)	\$ 0.57
Diluted	\$ (8.80)	\$ 0.54	\$ (2.99)	\$ 1.11	\$ (2.50)	\$ 2.09	\$ (2.51)	\$ 0.56

The seasonality of the North American cruise industry generally results in the greatest demand for cruises during the Northern Hemisphere's summer months; however, our cruise voyages were completely suspended during the last nine months of 2020 due to the COVID-19 pandemic.

**18. Subsequent Events**

In January and February 2021, both NCLH and NCLC undertook a number of actions related to debt financing, which resulted in a reclassification of debt from short-term to long-term as of December 31, 2020, and are described in Note 8 – "Long-Term Debt".

## DESCRIPTION OF SHARE CAPITAL

Norwegian Cruise Line Holdings Ltd. (“NCLH” or the “Company”) was incorporated on February 21, 2011 as a Bermuda exempted company incorporated under the Companies Act 1981 of Bermuda (the “Companies Act”). We are registered with the Registrar of Companies in Bermuda under registration number 45125. Our registered office is located at Walkers Corporate (Bermuda) Limited, Park Place, 3rd Floor, 55 Par-la-Ville Road, Hamilton HM 11, Bermuda. The rights of our shareholders are governed by Bermuda law, our memorandum of association and our amended and restated bye-laws (our “bye-laws”). The Companies Act differs in some material respects from laws generally applicable to U.S. corporations and their shareholders.

The following descriptions are qualified in their entirety by reference to our memorandum of association and bye-laws. The following summary is a description of the material terms of our share capital. The following summary also highlights material differences between Bermuda and Delaware corporate laws.

### Share Capital

Our authorized share capital is \$500,000 divided into 490,000,000 ordinary shares of par value \$0.001 per share and 10,000,000 preference shares of par value \$0.001 per share.

Pursuant to our bye-laws, subject to the requirements of the New York Stock Exchange (“NYSE”) and to any resolution of the shareholders to the contrary, our board of directors (our “Board of Directors”) is authorized to issue any of our authorized but unissued ordinary shares. There are no limitations on the right of non-Bermudians or non-residents of Bermuda to hold or vote our shares.

### Ordinary Shares

All of our issued and outstanding ordinary shares are fully paid.

In the event of our liquidation, dissolution or winding up, the holders of ordinary shares are entitled to share equally and ratably in our assets, if any, remaining after the payment of all of our debts and liabilities and subject to any preferential rights to payments owing to preference shareholders.

If we issue any preference shares, the rights, preferences and privileges of holders of ordinary shares will be subject to, and may be adversely affected by, the rights of the holders of our preference shares. See “—Preference Shares” below.

### Voting

Holders of ordinary shares have no pre-emptive, redemption, conversion or sinking fund rights. Holders of ordinary shares are entitled to one vote per share on all matters submitted to a vote of holders of ordinary shares. Unless a different majority is required by law or by our bye-laws, resolutions to be approved by holders of ordinary shares require approval by a simple majority of votes cast at a meeting at which a quorum is present. Our bye-laws provide that no bye-law shall be rescinded, altered or amended, and no new bye-law shall be made, unless it is in accordance with the Companies Act and until it shall have been approved by a resolution of our Board of Directors and by a resolution of our shareholders holding a majority of the then-outstanding shares of the Company (or, where required, of a separate class or classes of shareholders).

Our bye-laws provide that no alteration to our memorandum of association shall be made, unless it is in accordance with the Companies Act and until it shall have been approved by a resolution of our Board of Directors and by a resolution of our shareholders holding a majority of the then-outstanding shares of the Company (or, where required, of a separate class or classes of shareholders). Holders of ordinary shares will vote together as a single class on all matters presented to the shareholders for their vote or approval, including the election of directors.

Any individual who is a shareholder of the Company and who is present at a meeting may vote in person, as may any corporate shareholder that is represented by a duly authorized representative at a meeting of shareholders. Our bye-laws also permit attendance at general meetings by proxy, provided the instrument appointing the proxy is in the form specified in the bye-laws or such other form as our Board of Directors may determine.

The Companies Act also provides that shareholders may take action by written resolution. Subject to the following, anything (except for the removal of an auditor before the expiration of the term of his or her office or director before the expiration of the term of his or her office) which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the shareholders may, without a meeting, be done by resolution in writing signed by, or in the case of a shareholder that is a corporation whether or not a company within the meaning of the Companies Act, on behalf of, such number of shareholders who, at the date that the notice of resolution is given, represent not less than the minimum number of votes as would be required if the resolution was voted on at a meeting of shareholders at which all shareholders entitled to attend and vote were present and voting.

### Dividends

Under our bye-laws, each ordinary share is entitled to dividends as and when dividends are declared by our Board of Directors, subject to any preferential dividend right of the holders of any preference shares. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, financial condition, restrictions imposed by applicable law and our financing agreements and other factors that our Board of Directors deems relevant. Our debt agreements also impose restrictions on the ability of our subsidiaries to pay distributions to us and our ability to pay dividends to our shareholders.

We are a holding company and have no direct operations. As a result, we will depend upon distributions from our subsidiaries to pay any dividends.

Additionally, we are subject to Bermuda legal constraints that may affect our ability to pay dividends on our ordinary shares and make other payments. Under the Companies Act, we may declare or pay a dividend only if we have reasonable grounds for believing that we are, or would after

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the payment be, able to pay our liabilities as they become due and if the realizable value of our assets would thereby not be less than our liabilities.

#### **Transfer Restrictions**

Under Section 883 of the Internal Revenue Code of 1986, as amended (the "Code"), and the related regulations, a foreign corporation will be exempt from U.S. federal income taxation on its U.S.-source international shipping income if, among other requirements, one or more classes of its stock representing, in the aggregate, more than 50% of the combined voting power and value of all classes of its stock are "primarily and regularly traded on one or more established securities markets" in a qualified foreign country or in the United States (and certain exceptions do not apply), to which we refer as the "Publicly Traded Test."

The regulations under Section 883 of the Code provide, in pertinent part, that a class of stock will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of the outstanding shares of such class of stock are owned on more than half the days during the taxable year by persons who each own 5% or more of the outstanding shares of such class of stock, to which we refer as the "Five Percent Override Rule." The Five Percent Override Rule will not apply if NCLH can substantiate that the number of NCLH's ordinary shares owned for more than half of the number of days in the taxable year (1) directly or indirectly applying attribution rules, by its qualified shareholders, and (2) by its non-5% shareholders, is greater than 50% of its outstanding ordinary shares.

As of February 26, 2021, NCLH's direct non-5% shareholders own more than 50% of its ordinary shares. Based on the foregoing, as of February 26, 2021, we believe that NCLH's ordinary shares will be considered to be "regularly traded on an established securities market."

Because we are relying on the substantial ownership by non-5% shareholders in order to satisfy the regularly traded test, there is the potential that if another shareholder becomes a 5% shareholder our qualification under the Publicly Traded Test could be jeopardized. If we were to fail to satisfy the Publicly Traded Test, we likely would become subject to U.S. income tax on income associated with our cruise operations in the United States. Therefore, as a precautionary matter, we have provided protections in our bye-laws to reduce the risk of the Five Percent Override Rule applying. In this regard, our bye-laws provide that no one person or group of related persons, may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 4.9% of our ordinary shares, whether measured by vote, value or number, unless such ownership is approved by our Board of Directors. In addition, any person or group of related persons that own 3% or more (or a lower percentage if required by the U.S. Treasury Regulations under the Code) of our ordinary shares will be required to meet certain notice requirements as provided for in our bye-laws. Our bye-laws generally restrict the transfer of any of our ordinary shares if such transfer would cause us to be subject to tax on our U.S. shipping income. In general, detailed attribution rules, that treat a shareholder as owning shares that are owned by another person, are applied in determining whether a person is a 5% shareholder. For purposes of the 4.9% limit, a "transfer" will include any sale, transfer, gift, assignment, devise or other disposition, whether voluntary or involuntary, whether of record, constructively or beneficially, and whether by operation of law or otherwise.

Our bye-laws provide that our Board of Directors may waive the 4.9% limit or transfer restrictions, in any specific instance. Our Board of Directors may also terminate the limit and transfer restrictions generally at any time for any reason. If a purported transfer or other event results in the ownership of ordinary shares by any shareholder in violation of the 4.9% limit, or causes us to be subject to U.S. income tax on shipping operations, such ordinary shares in excess of the 4.9% limit, or which would cause us to be subject to U.S. shipping income tax will automatically be designated as "excess shares" to the extent necessary to ensure that the purported transfer or other event does not result in ownership of ordinary shares in violation of the 4.9% limit or cause us to become subject to U.S. income tax on shipping operations, and any proposed transfer that would result in such an event would be void. Any purported transferee or other purported holder of excess shares will be required to give us written notice of a purported transfer or other event that would result in excess shares. The purported transferee or holders of such excess shares shall have no rights in such excess shares, other than a right to the payments described below.

Excess shares will not be treasury shares but rather will continue to be issued and outstanding ordinary shares. While outstanding, excess shares will be transferred to a trust. The trustee of such trust has been appointed by us and is independent of us and the purported holder of the excess shares. The beneficiary of such trust will be one or more charitable organizations that is a qualified shareholder selected by the trustee. The trustee is entitled to vote the excess shares on behalf of the beneficiary. If, after purported transfer or other event resulting in excess shares and prior to the discovery by us of such transfer or other event, dividends or distributions are paid with respect to such excess shares, such dividends or distributions will be immediately due and payable to the trustee for payment to the charitable beneficiary. All dividends received or other income declared by the trust will be paid to the charitable beneficiary. Upon our liquidation, dissolution or winding up, the purported transferee or other purported holder will receive a payment that reflects a price per share for such excess shares generally equal to the lesser of:

- the amount per share of any distribution made upon such liquidation, dissolution or winding up, and
- in the case of excess shares resulting from a purported transfer, the price per share paid in the transaction that created such excess shares, or, in the case of certain other events, the market price per share for the excess shares on the date of such event, or in the case of excess shares resulting from an event other than a purported transfer, the market price for the excess shares on the date of such event.

At the direction of our Board of Directors, the trustee will transfer the excess shares held in trust to a person or persons, including us, whose ownership of such excess shares will not violate the 4.9% limit or otherwise cause us to become subject to U.S. shipping income tax within 180 days after the later of the transfer or other event that resulted in such excess shares or we become aware of such transfer or event. If such a transfer is made, the interest of the charitable beneficiary will terminate, the designation of such shares as excess shares will cease and the purported holder of the excess shares will receive the payment described below. The purported transferee or holder of the excess shares will receive a payment that reflects a price per share for such excess shares equal to the lesser of:

- the price per share received by the trustee, and

- the price per share such purported transferee or holder paid in the purported transfer that resulted in the excess shares, or, if the purported transferee or holder did not give value for such excess shares, through a gift, devise or other event, a price per share equal to the market price on the date of the purported transfer or other event that resulted in the excess shares.

A purported transferee or holder of the excess shares will not be permitted to receive an amount that reflects any appreciation in the excess shares during the period that such excess shares were outstanding. Any amount received in excess of the amount permitted to be received by the purported transferee or holder of the excess shares must be turned over to the charitable beneficiary of the trust. If the foregoing restrictions are determined to be void or invalid by virtue of any legal decision, statute, rule or regulation, then the intended transferee or holder of any excess shares may be deemed, at our option, to have acted as an agent on our behalf in acquiring or holding such excess shares and to hold such excess shares on our behalf.

We have the right to purchase any excess shares held by the trust for a period of 90 days from the later of:

- the date the transfer or other event resulting in excess shares has occurred, and
- the date our Board of Directors determines in good faith that a transfer or other event resulting in excess shares has occurred.

The price per excess share to be paid by us will be equal to the lesser of:

- the price per share paid in the transaction that created such excess shares, or, in the case of certain other events, the market price per share for the excess shares on the date of such event, or
- the lowest market price for the excess shares at any time after their designation as excess shares and prior to the date we accept such offer.

These provisions in our bye-laws could have the effect of delaying, deferring or preventing a change in our control or other transaction in which our shareholders might receive a premium for their ordinary shares over the then-prevailing market price or which such holders might believe to be otherwise in their best interest. Our Board of Directors may determine, in its sole discretion, to terminate the 4.9% limit and the transfer restrictions of these provisions. While both the mandatory offer protection and 4.9% protection remain in place, no third party will be able to acquire control of the Company.

#### ***Listing***

Our ordinary shares are listed on the NYSE under the symbol "NCLH."

#### **Preference Shares**

Pursuant to our bye-laws, our Board of Directors by resolution may establish one or more series of preference shares having such number of shares, designations, dividend rates, relative voting rights, conversion or exchange rights, redemption rights, liquidation rights and other relative participation, optional or other special rights, qualifications, limitations or restrictions as may be fixed by our Board of Directors without any further shareholder approval. Such rights, preferences, powers and limitations as may be established could also have the effect of discouraging an attempt to obtain control of the Company. We currently have authorized 10,000,000 preference shares of par value \$0.001 per share. No preference shares have been issued or outstanding as of February 26, 2021. We have no present plans to issue any preference shares.

#### **Composition of Board of Directors; Election; Quorum**

In accordance with our bye-laws, the number of directors comprising our Board of Directors will be as determined from time to time by resolution of our Board of Directors, provided, that there shall be at least seven but no more than eleven directors. Each director is to hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. At any meeting of our Board of Directors, our bye-laws will provide that a majority of the directors then in office will constitute a quorum for all purposes. Our Board of Directors is divided into three classes, each of whose members will serve for staggered three-year terms.

#### **Transfer Agent and Registrar**

The register of members is maintained at the registered office of the Company in Bermuda in accordance with Bermuda law, and a branch register is maintained in the United States with American Stock Transfer & Trust Company, LLC, who serves as branch registrar and transfer agent.

#### **Certain Corporate Anti-Takeover Protections**

Certain provisions in our bye-laws may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a shareholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market price for the ordinary shares held by shareholders.

#### ***Preference Shares***

Our Board of Directors has the authority to issue series of preference shares with such voting rights and other powers as our Board of Directors may determine, as described above.

### ***Classified Board***

Our Board of Directors is classified into three classes. Each Director will serve a three-year term and will stand for re-election once every three years.

### ***Removal of Directors, Vacancies***

Our shareholders will be able to remove directors with or without cause at an annual or special general meeting by the affirmative vote of a majority of votes cast (and in the event of an equality of votes the resolution shall fail). Vacancies on our Board of Directors may be filled only by a majority of our Board of Directors, except with respect to any vacancies filled by shareholders at a special general meeting at which a director is removed.

### ***Advance Notice Requirements for Shareholder Proposals and Director Nominations***

Our bye-laws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual general meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary.

Generally, to be timely, a shareholder's notice must be received at our principal executive offices not less than 90 days or more than 120 days prior to the first anniversary date of the previous year's annual general meeting. Our bye-laws also specify requirements as to the form and content of a shareholder's notice. These provisions may impede shareholders' ability to bring matters before an annual general meeting of shareholders or make nominations for directors at an annual general meeting of shareholders.

### **Bermuda Law**

We are an exempted company incorporated under the laws of Bermuda. The rights of our shareholders are governed by Bermuda law, our memorandum of association and our bye-laws. The laws of Bermuda differ in some material respects from laws generally applicable to U.S. corporations and their shareholders. The following is a summary of material provisions of Bermuda law and our organizational documents not discussed above.

#### ***Variation of Rights***

If at any time we have more than one class of shares, the rights attaching to any class, unless otherwise provided for by the terms of issue of the relevant class, may be varied either: (i) with the consent in writing of the holders of at least two-thirds of the issued shares of that class; or (ii) with the sanction of a resolution passed by a majority of the votes cast at a general meeting of the relevant class of shareholders at which a quorum consisting of at least two persons holding or representing one-third of the issued shares of the relevant class is present. Our bye-laws specify that the creation or issue of shares ranking equally with existing shares will not, unless expressly provided by the terms of issue of existing shares, vary the rights attached to existing shares. In addition, the creation or issue of preference shares ranking prior to ordinary shares will not be deemed to vary the rights attached to ordinary shares or, subject to the terms of any other series of preference shares, to vary the rights attached to any other series of preference shares.

#### ***Rights in Liquidation***

Under Bermuda law, in the event of a liquidation or winding-up of a company, after satisfaction in full of all claims and amounts due to creditors and subject to the preferential rights accorded to any series of preference shares and subject to any specific provisions of our bye-laws, the proceeds of the liquidation or winding-up are distributed pro rata among the holders of ordinary shares.

#### ***Meetings of Shareholders***

Under Bermuda law, a company is required to convene at least one general meeting of shareholders each calendar year unless the shareholders specifically resolve to dispense with the holding of annual general meetings. Bermuda law provides that a special general meeting of shareholders may be called by the board of directors of a company and must be called upon the request of shareholders holding not less than 10% of the paid-up capital of the company carrying the right to vote at general meetings. Our bye-laws require that unless otherwise provided, shareholders be given not less than ten nor more than sixty days' advance notice of a general meeting, but the accidental omission to give notice to any person does not invalidate the proceedings at a meeting. Our bye-laws provide that our Board of Directors may convene an annual general meeting or a special general meeting. This notice requirement is subject to the ability to hold such meetings on shorter notice if such notice is agreed: (i) in the case of an annual general meeting by all of the shareholders entitled to attend and vote at such meeting; or (ii) in the case of a special general meeting by a majority in number of the shareholders entitled to attend and vote at the meeting holding not less than 95% in nominal value of the shares entitled to vote at such meeting.

Our bye-laws provide that the presence in person or by proxy of two or more shareholders entitled to attend and vote and holding shares representing more than 50% of the combined voting power constitutes a quorum at any general meeting of shareholders.

#### ***Access to Books and Records and Dissemination of Information***

Members of the general public have a right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda. These documents include the company's certificate of incorporation, its memorandum of association, including its objects and powers, certain alterations to the memorandum of association and its register of directors and officers. The shareholders have the additional right to inspect the

bye-laws of the company, minutes of general meetings and the company's audited financial statements, which must be presented at the annual general meeting. The register of members of a company is also open to inspection by shareholders and by members of the general public without charge. The register of members is required to be open for inspection for not less than two hours in any business day (subject to the ability of a company to close the register of members for not more than thirty days a year). A company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside of Bermuda. We maintain a register of members at the registered office of the Company in Hamilton, Bermuda and a branch register in the United States by American Stock Transfer & Trust Company, LLC, who serves as branch registrar and transfer agent. A company is required to keep at its registered office a register of directors and officers that is open for inspection for not less than two hours in any business day by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

#### ***Board Actions***

Our bye-laws provide that its business is to be managed and conducted by our Board of Directors. At common law, members of a board of directors owe a fiduciary duty to the company to act in good faith in their dealings with or on behalf of the company and exercise their powers and fulfill the duties of their office honestly. This duty includes the following elements: (i) a duty to act in good faith in the best interests of the company; (ii) a duty not to make a personal profit from opportunities that arise from the office of a director; (iii) a duty to avoid conflicts of interest; and (iv) a duty to exercise powers for the purpose for which such powers were intended.

The Companies Act also imposes a duty on directors and officers of a Bermuda company to: (i) act honestly and in good faith with a view to the best interests of the company; and (ii) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Our bye-laws provide that to the fullest extent permitted by the Companies Act, a director shall not be liable to the Company or its shareholders for breach of fiduciary duty as a director. Our bye-laws also provide for indemnification of directors as described in "—Indemnification of Directors and Officers."

There is no requirement in our bye-laws or Bermuda law that directors hold any of our shares. There is also no requirement in our bye-laws or Bermuda law that our directors must retire at a certain age.

The remuneration of our directors is determined by our Board of Directors. Our directors may also be paid all travel, hotel and other expenses properly incurred by them in connection with our business or their duties as directors.

Provided a director discloses a direct or indirect interest in any contract or arrangement with us as required by Bermuda law, such director is entitled to vote in respect of any such contract or arrangement in which he or she is interested unless he or she is disqualified from voting by the chairman of the relevant board meeting. A director (including the spouse or children of the director or any company of which such director, spouse or children own or control more than 20% of the capital or loan debt) cannot borrow from us (except loans made to directors who are bona fide employees or former employees pursuant to an employees' share scheme), unless shareholders holding 90% of the total voting rights have consented to the loan.

#### ***Transfer of Shares***

Our Board of Directors may in its absolute discretion and without assigning any reason refuse to register the transfer of a share if it is not fully paid. Our Board of Directors may also refuse to recognize an instrument of transfer of a share unless it is accompanied by the relevant share certificate and such other evidence of the transferor's right to make the transfer as our Board of Directors shall reasonably require. Subject to these restrictions, and the 4.9% limit and related transfer restrictions described in "—Ordinary Shares—Transfer Restrictions," a holder of ordinary shares may transfer the title to all or any of its ordinary shares by completing a form of transfer in the form set out in our bye-laws (or as near thereto as circumstances admit) or in such other ordinary form as our Board of Directors may accept. The instrument of transfer must be signed by the transferor and transferee, although in the case of a fully paid share our Board of Directors may accept the instrument signed only by the transferor. In this case, where the ordinary shares are listed, transfer of shares will be effected through the duly appointed transfer agent and the registrar of the Company.

#### ***Indemnification of Directors and Officers***

Section 98 of the Companies Act provides generally that a Bermuda company may indemnify its directors, officers and auditors against any liability which by virtue of any rule of law would otherwise be imposed on them in respect of any negligence, default, breach of duty or breach of trust, except in cases where such liability arises from fraud or dishonesty of which such director, officer or auditor may be guilty in relation to the company. Section 98 further provides that a Bermuda company may indemnify its directors, officers and auditors against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is awarded in their favor or in which they are acquitted or granted relief by the Supreme Court of Bermuda pursuant to Section 281 of the Companies Act.

We have adopted provisions in our bye-laws that, subject to certain exemptions and conditions, require us to indemnify to the full extent permitted by the Companies Act in the event each person who is involved in legal proceedings by reason of the fact that person is or was a director, officer or resident representative of the Company, or is or was serving at the request of the Company as a director, officer, resident representative, employee or agent of another company or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan against all expense, liability and loss (including attorneys' fees, judgments, fines, amounts paid or to be paid in settlement, and excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974) incurred and suffered by the person in connection therewith. We are also required under our bye-laws to advance to such persons expenses incurred in defending a proceeding to which indemnification might apply, provided if the Companies Act requires, the recipient provides an undertaking agreeing to repay all such advanced amounts if it is ultimately determined that he is not entitled to

be indemnified. In addition, the bye-laws specifically provide that the indemnification rights granted thereunder are non-exclusive.

In addition, we have entered into separate contractual indemnification arrangements with our directors. These arrangements provide for indemnification and the advancement of expenses to these directors in circumstances and subject to limitations substantially similar to those described above. Section 98A of the Companies Act and our bye-laws permit us to purchase and maintain insurance for the benefit of any officer or director in respect of any loss or liability attaching to him in respect of any negligence, default, breach of duty or breach of trust, whether or not we may otherwise indemnify such officer or director.

#### ***Amendment of Memorandum of Association and Bye-Laws***

Bermuda law provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of shareholders of which due notice has been given. Bermuda law requires that the bye-laws may be rescinded, altered or amended only if approved by a resolution of our shareholders and directors. Our bye-laws provide for amendment of our memorandum of association and bye-laws as described above in “—Ordinary Shares—Voting.”

Under Bermuda law, the holders of an aggregate of not less than 20% in par value of a company’s issued share capital or any class thereof have the right to apply to the Supreme Court of Bermuda for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment which alters or reduces a company’s share capital as provided in the Companies Act. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda court. An application for an annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering the company’s memorandum of association is passed and may be made on behalf of the persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No application may be made by shareholders voting in favor of the amendment.

#### ***Amalgamations, Mergers and Appraisal Rights***

A Bermuda exempted company may amalgamate or merge with another Bermuda exempted company or a company incorporated outside Bermuda in accordance with the provisions of the Companies Act.

Under Bermuda law, in the event of an amalgamation or merger of a Bermuda company with another company, a shareholder of the Bermuda company who did not vote in favor of the amalgamation or merger and who is not satisfied that fair value has been offered for his, her or its shares in the Bermuda company may within one month of notice of the shareholders meeting, apply to the Supreme Court of Bermuda to appraise the fair value of his, her or its shares. Under Bermuda law, the amalgamation or merger of the Company with another company or corporation (other than certain affiliated companies) requires an amalgamation agreement or merger agreement to first be approved and then recommended by our Board of Directors and by resolution of our shareholders.

#### ***Shareholder Suits***

Class actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence a derivative action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company, or amounts to a breach of fiduciary duty by one or more of the company’s directors, or is illegal or would result in violation of the company’s memorandum of association or bye-laws. Furthermore, shareholders of Bermuda companies have causes of action available to them in respect of acts that are alleged to constitute a fraud against the minority shareholders.

When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda which may make such order as it sees fit, including an order regulating the conduct of the company’s affairs in the future or ordering the purchase of the shares of any shareholder, by other shareholders or by the company.

#### ***Discontinuance***

Under Bermuda law, an exempted company may be discontinued and be continued in a jurisdiction outside Bermuda as if it had been incorporated under the laws of that other jurisdiction. Our bye-laws provide that our Board of Directors may exercise all our power to discontinue to another jurisdiction without the need of any shareholder approval.

#### ***Takeovers/Compulsory Acquisition of Shares Held by Minority Holders***

An acquiring party is generally able to acquire compulsorily the ordinary shares of minority holders in the following ways:

- If the acquiring party is a company it may compulsorily acquire all the shares of the target company by acquiring, pursuant to a tender offer, 90% of the shares or class of shares not already owned by, or by a nominee for, the acquiring party (the “offeror”), or any of its subsidiaries. If an offeror has, within four months after the making of an offer for all the shares or class of shares not owned by, or by a nominee for, the offeror, or any of its subsidiaries, obtained the approval of the holders of 90% or more of all the shares to which the offer relates, the offeror may, at any time within two months beginning with the date on which the approval was obtained, require, by notice, any nontendering shareholder to transfer its shares on the same terms as the original offer. In those circumstances, nontendering shareholders will be compelled to sell their shares unless the Supreme Court of Bermuda (on application made within a one-month period from the date of the offeror’s notice of its intention to acquire such shares) orders otherwise.
- By a procedure under the Companies Act known as a “scheme of arrangement.” A scheme of arrangement could be effected by obtaining the

agreement of the Company and of holders of ordinary shares, representing in the aggregate a majority in number and at least 75% in value of the ordinary shareholders present and voting at a court ordered meeting held to consider the scheme of arrangement. The scheme of arrangement must then be sanctioned by the Supreme Court of Bermuda. If a scheme of arrangement receives all necessary agreements and sanctions, upon the filing of the court order with the Registrar of Companies in Bermuda, all holders of ordinary shares could be compelled to sell their shares under the terms of the scheme of arrangement.

- Where one or more parties holds not less than 95% of the shares or a class of shares of a company such holder(s) may, pursuant to a notice given to the remaining shareholders or class of shareholders, acquire the shares of such remaining shareholders or class of shareholders. When this notice is given, the acquiring party is entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the notice, unless a remaining shareholder, within one month of receiving such notice, applies to the Supreme Court of Bermuda for an appraisal of the value of its shares. This provision only applies where the acquiring party offers the same terms to all holders of shares whose shares are being acquired.

#### ***Material Bermuda Tax Considerations***

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by our shareholders in respect of our shares. We have obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31, 2035, be applicable to us or to any of our operations or to our shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or to any taxes payable by us in respect of real property owned or leased by us in Bermuda. We pay annual Bermuda government fees.

#### ***Delaware Law***

The terms of share capital of corporations incorporated in the United States, including Delaware, differ from corporations incorporated in Bermuda. The following discussion highlights material differences of the rights of a shareholder of a Delaware corporation compared with the rights of our shareholders under Bermuda law, as outlined above.

Under Delaware law, a corporation may indemnify its director or officer (other than in action by or in the right of the companies) against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in defense of an action, suit or proceeding by reason of such position if such director or officer (i) acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and (ii) with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Delaware law provides that a majority of the shares entitled to vote, present in person or represented by proxy, constitutes a quorum at a meeting of shareholders. In matters other than the election of directors, with the exception of special voting requirements related to extraordinary transactions, the affirmative vote of a majority of shares present in person or represented by proxy at the meeting and entitled to vote is required for shareholder action, and the affirmative vote of a plurality of shares is required for the election of directors. With certain exceptions, a merger, consolidation or sale of all or substantially all the assets of a corporation must be approved by the board of directors and a majority of the outstanding shares entitled to vote thereon. Under Delaware law, a shareholder of a corporation participating in certain major corporate transactions may, under certain circumstances, be entitled to appraisal rights pursuant to which such shareholder may receive cash in the amount of the fair value of the shares held by such shareholder (as determined by a court) in lieu of the consideration such shareholder would otherwise receive in the transaction.

Under Delaware law, subject to any restrictions contained in the company's certificate of incorporation, a company may pay dividends out of surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. Delaware law also provides that dividends may not be paid out of net profits if, after the payment of the dividend, capital is less than the capital represented by the outstanding shares of all classes having a preference upon the distribution of assets.

Under Delaware law, the business and affairs of a corporation are managed by or under the direction of its board of directors. In exercising their powers, directors are charged with a fiduciary duty of care to protect the interests of the corporation and a fiduciary duty of loyalty to act in the best interests of its shareholders.

Delaware law permits any shareholder to inspect or obtain copies of a corporation's shareholder list and its other books and records for any purpose reasonably related to such person's interest as a shareholder.

Class actions and derivative actions generally are available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law, and the court generally has discretion in such actions to permit the winning party to recover attorneys' fees.



List of Subsidiaries of Norwegian Cruise Line Holdings Ltd.

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation or Organization</u>
Arrasas Limited	Isle of Man
Belize Island Holdings Ltd.	Belize
Breakaway Four, Ltd.	Bermuda
Breakaway One, Ltd.	Bermuda
Breakaway Three, Ltd.	Bermuda
Breakaway Two, Ltd.	Bermuda
Classic Cruises II, LLC	Delaware
Classic Cruises, LLC	Delaware
Eurosoft Corporation Limited	United Kingdom
Eurosoft Cruise Line (Shanghai) Co., Ltd.	China
Explorer II New Build, LLC	Delaware
Explorer III New Build, LLC	Delaware
Explorer New Build, LLC	Delaware
Insignia Vessel Acquisition, LLC	Delaware
Leonardo Five, Ltd.	Bermuda
Leonardo Four, Ltd.	Bermuda
Leonardo One, Ltd.	Bermuda
Leonardo Six, Ltd.	Bermuda
Leonardo Three, Ltd.	Bermuda
Leonardo Two, Ltd.	Bermuda
Marina New Build, LLC	Republic of the Marshall Islands
Mariner, LLC	Republic of the Marshall Islands
Nautica Acquisition, LLC	Delaware
Navigator Vessel Company, LLC	Delaware
NCL (Bahamas) Ltd. d/b/a Norwegian Cruise Line	Bermuda
NCL America Holdings, LLC	Delaware
NCL America LLC	Delaware
NCL Australia Pty Ltd.	Australia
NCL Corporation Ltd.	Bermuda
NCL Emerald Corporation, Limited	Ireland
NCL International, Ltd.	Bermuda
Norwegian Compass Ltd.	United Kingdom
Norwegian Cruise Co. Inc.	Delaware
Norwegian Cruise Line Group UK Limited (formerly Prestige Cruise Services (Europe) Limited)	United Kingdom
Norwegian Dawn Limited	Isle of Man
Norwegian Epic, Ltd.	Bermuda
Norwegian Gem, Ltd.	Bermuda
Norwegian Jewel Limited	Isle of Man
Norwegian Pearl, Ltd.	Bermuda
Norwegian Sextant Ltd.	United Kingdom
Norwegian Sky, Ltd.	Bermuda
Norwegian Spirit, Ltd.	Bermuda
Norwegian Star Limited	Isle of Man
Norwegian Sun Limited	Bermuda
O Class Plus One, LLC	Delaware

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O Class Plus Two, LLC	Delaware
Oceania Cruises S. de R.L. (formerly Oceania Cruises, Inc.)	Panama
OCI Finance Corp.	Delaware
Prestige Cruise Holdings S. de R.L. (formerly Prestige Cruise Holdings, Inc.)	Panama
Prestige Cruise Services LLC	Delaware
Prestige Cruises Air Services, Inc.	Florida
Prestige Cruises International S. de R.L. (formerly Prestige Cruises International, Inc.)	Panama
Pride of America Ship Holding, LLC	Delaware
Pride of Hawaii, LLC	Delaware
Regatta Acquisition, LLC	Delaware
Riviera New Build, LLC	Republic of the Marshall Islands
Seahawk One, Ltd.	Bermuda
Seahawk Two, Ltd.	Bermuda
Seven Seas Cruises S. de R.L.	Panama
Sirena Acquisition	Cayman Islands
Sixthman Ltd.	Bermuda
SSC Finance Corp.	Delaware
Voyager Vessel Company, LLC	Delaware
NCL Finance, Ltd.	Bermuda
Norwegian Cruise Line Agência de Viagens Ltda.	Brazil
Cruise Quality Travel Spain SL	Spain
NCL Construction Corp., Ltd.	Bermuda
NCL (Guernsey) Limited	Guernsey
NCLM Limited	Malta
Future Investments, Ltd.	Bermuda
Belize Investments Limited	St. Lucia
Krystalsea Limited	British Virgin Islands
NCLC Investments Canada Ltd.	Canada
NCL Singapore Pte. Ltd.	Singapore
Norwegian Cruise Line India Private Limited	India
NCL Japan KK	Japan
NCL HK Holding, Ltd.	Bermuda
NCL Hong Kong Limited	Hong Kong
NCL US IP CO 1, LLC	Delaware
NCL UK IP CO LTD	UK
NCL US IP CO 2, LLC	Delaware
Norwegian USCRA, Ltd.	Bermuda
Bermuda Tenders, Ltd.	Bermuda
Great Stirrup Cay Limited	Bahamas
Norwegian Cardinal Ltd	United Kingdom
NCL Holding AS	Norway
NCL Cruises Ltd.	Bermuda

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-237999, 333-239761, 333-250144) and Form S-8 (Nos. 333-212352, 333-196538, 333-190716, 333-186184) of Norwegian Cruise Line Holdings Ltd. of our report dated February 26, 2021 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Miami, Florida

February 26, 2021

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## CERTIFICATION

I, Frank J. Del Rio, certify that:

1. I have reviewed this annual report on Form 10-K of Norwegian Cruise Line Holdings Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 26, 2021

/s/Frank J. Del Rio

Name: Frank J. Del Rio

Title: President and Chief Executive Officer

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## CERTIFICATION

I, Mark A. Kempa, certify that:

1. I have reviewed this annual report on Form 10-K of Norwegian Cruise Line Holdings Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 26, 2021

/s/Mark A. Kempa

Name: Mark A. Kempa

Title: Executive Vice President and Chief Financial Officer

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**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of Frank J. Del Rio, the President and Chief Executive Officer, and Mark A. Kempa, the Executive Vice President and Chief Financial Officer, of Norwegian Cruise Line Holdings Ltd. (the "Company"), does hereby certify, that, to such officer's knowledge:

The Annual Report on Form 10-K of the Company, for the year ended December 31, 2020 (the "Form 10-K"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 26, 2021

By: /s/Frank J. Del Rio  
Name: Frank J. Del Rio  
Title: President and Chief Executive Officer

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

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