

The logo for Norwegian Cruise Line Holdings Ltd. (NCLH) is a dark blue rectangle with the letters "NCLH" in white, bold, sans-serif font.

# NORWEGIAN CRUISE LINE HOLDINGS LTD.

2021 ANNUAL REPORT



NORWEGIAN CRUISE LINE TERMINAL AT PORTMIAMI  
*The First LEED® Gold New Construction V4.0 Cruise Ship Terminal In The World*



# NORWEGIAN CRUISE LINE HOLDINGS LTD.

Norwegian Cruise Line Holdings Ltd. (NYSE: NCLH) is a leading global cruise company which operates the Norwegian Cruise Line, Oceania Cruises and Regent Seven Seas Cruises brands. With a combined fleet of 28 ships and approximately 59,150 berths, these brands offer itineraries to more than 490 destinations worldwide. The Company has nine additional ships on order for its three award-winning brands.

## MISSION

To provide exceptional vacation experiences, delivered by passionate team members committed to world-class hospitality and innovation

## VISION

To be the vacation of choice for everyone around the world

## VALUES

- Flawless Execution
- Dedication to Family and Community
- Spirit of Entrepreneurship
- Financial Excellence
- Environmental Stewardship



Norwegian Encore, Tortola, BVI



As the innovator in global cruise travel, Norwegian Cruise Line has been breaking the boundaries of traditional cruising for over 55 years. Most notably, the cruise line revolutionized the industry by offering guests the freedom and flexibility to design their ideal vacation on their preferred schedule with no assigned dining and entertainment times and no formal dress codes. Today, its fleet of 17 contemporary ships sails to over 300 of some of the world's most desirable destinations, including Great Stirrup Cay, the company's private island in the Bahamas, and its resort destination Harvest Caye in Belize.



Riviera, Valletta, Malta



Oceania Cruises is the world's leading culinary- and destination-focused cruise line. The line's seven small, luxurious ships carry a maximum of 1,210 guests and feature the finest cuisine at sea with destination-rich itineraries that span the globe. Expertly curated travel experiences aboard the designer-inspired, small ships call on more than 450 marquee and boutique ports across Europe, Alaska, Asia, Africa, Australia, New Zealand, New England-Canada, Bermuda, the Caribbean, the Panama Canal, Tahiti and the South Pacific in addition to the epic 180-day Around the World Voyages. The brand has a second 1,200-guest Allura-class ship on order for delivery in 2025. With headquarters in Miami, Oceania Cruises is owned by Norwegian Cruise Line Holdings Ltd., a diversified cruise operator of leading global cruise brands which include Norwegian Cruise Line, Oceania Cruises and Regent Seven Seas Cruises.



Seven Seas Splendor®, Miami, Florida



Regent Seven Seas Cruises is the leader in luxury cruise experiences, delivering An Unrivaled Experience® for over 30 years. Carrying between 482 and 732 guests, *Seven Seas Navigator*®, *Seven Seas Mariner*®, *Seven Seas Voyager*®, *Seven Seas Explorer*®, *Seven Seas Splendor*® and — arriving in 2023 — *Seven Seas Grandeur*™ form The World's Most Luxurious Fleet™. Offering Unrivaled Space at Sea™, guests enjoy all-suite accommodations, 99% with private balconies that are among the largest at sea, as well as highly personalized service throughout lavish public areas and expansive outdoor spaces. Unique to Regent Seven Seas Cruises, unlimited complimentary shore excursions are available in every port, which is just the beginning of an extensive list of included luxuries — from round-trip air and gourmet cuisine, to unlimited WiFi and valet laundry service — that make it the only truly all-inclusive cruise line.

# DEAR FELLOW SHAREHOLDERS,

While the start of the COVID-19 pandemic in March of 2020 brought never-before-seen challenges and the unprecedented shutdown of our operations, 2021 presented a different but nevertheless a unique set of unexpected challenges. It was a year that ran the emotional gamut, from relief and optimism around the rollout of life-saving vaccines and the launch of our Great Cruise Comeback and the return of our fleet sailing again, to the uncertainty, disappointment and continued challenges triggered by new variants and additional surges. The main lesson we learned in 2020 was further amplified in 2021 — remain vigilant, expect the unexpected and be ready to quickly adapt as needed. We entered the year with zero vessels operating, and by the end of the year we had the majority of our capacity back in service. The herculean effort to successfully restart our cruise operations was a result of the hard work and dedication of team members from across the globe, who came together with a singular focus in mind — to restart our business in the safest way possible.

In 2021, we raised the bar on what this organization could and did accomplish, once again demonstrating the extraordinary resilience of Norwegian Cruise Line Holdings and the broader cruise industry. During the first part of the year, we rolled out SailSAFE™, the travel and leisure industry's most rigorous health and safety program, conducted an extensive public advocacy program aimed at local, state and federal lawmakers and worked closely with global government and public health authorities including the U.S. Centers for Disease Control and Prevention to facilitate the relaunch of cruising. Preparing for our Great Cruise Comeback meant that in just a matter of months, our team members successfully staffed, supplied and relaunched the majority of our fleet, brought our shoreside teams safely back to the office and even went to Federal court to defend our public health-leading 100% vaccination policy. During that time, all three of our brands shattered various booking records and, towards the latter part of the year, began to take steps to start our financial recovery plan through a series of balance sheet optimization transactions.

Looking ahead to 2022, we are focused on the continued flawless execution of our phased voyage resumption plan, a plan which has required modifications along the way as we adapted to the rapidly changing global public health environment brought on by the surge of the COVID-19 Omicron variant. We plan to pivot from defensive financial transactions aimed at bolstering the Company's liquidity position to offensive transactions to restore and strengthen our balance sheet and overall financial position for the long term. We are also preparing for the next chapter in our journey with the delivery of our newest class of ships for Norwegian Cruise Line, beginning with the record-breaking Norwegian Prima in summer 2022. While we are expecting fits and starts throughout the year as we are still navigating through a changing public health environment and travel restrictions, we are confident that we will once again rise to the occasion and gain momentum in the journey to restoring our Company to its place as one of the best-performing cruise operators in the world.<sup>1</sup>

<sup>1</sup>Statements in this letter regarding, among other things, the implementation of and effectiveness of our health and safety protocols, our ESG goals and strategies, our future investments and our recovery plan are forward-looking. See "Cautionary Statement Concerning Forward-Looking Statements" in this Annual Report regarding the risks related to these statements.



## GREAT CRUISE COMEBACK

After 500 days on the sidelines, our long-awaited Great Cruise Comeback officially commenced on July 26, 2021 with Norwegian Jade operating Greek Isles voyages out of Athens. We could not have been more pleased with the relaunch as, even after 18 months of not operating, the onboard team seamlessly adapted to our new health and safety protocols and delivered the same exceptional service and world-class cruise experience that our guests expect from our flagship brand.

Shortly thereafter, we kicked off our official return to cruising in the U.S. with Norwegian Encore making her West Coast debut with 7-night sailings to Alaska from Seattle. This allowed us to return guests to one of our most popular destinations while providing relief to tourism-dependent local businesses faced with economic hardship during the prolonged voyage suspension.



First U.S. Sailing, Norwegian Encore, Alaska



Seattle, Washington

By the end of 2021, we successfully restarted the majority of our vessels as part of our phased voyage resumption plan. This would not have been possible without the support of our loyal guests, travel partners, team members around the globe and all of our key stakeholders. We look to have restarted our full fleet by spring 2022, in time to fully capture the peak summer season. Against a still-changing and uncertain COVID-19 backdrop, we will be ready to adapt as needed, keeping a close watch on port availability, travel restrictions and any changes to the global public health environment which could affect our planned operations.



Great Cruise Comeback, Norwegian Gem, Miami, Florida



## SAILSAFE HEALTH AND SAFETY PROGRAM

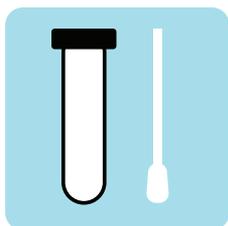


Frank del Rio (L) and Scott Gottlieb, M.D. (R)

Health and safety is the most important principle that guides any hospitality-oriented business and is certainly how our Company operates at all levels, and this fundamental philosophy has never been more important than during the COVID-19 pandemic.

In April 2021, we unveiled our comprehensive, science-backed SailSAFE Health and Safety Program, developed in conjunction with globally recognized experts, which expanded upon our existing robust commitment to health and safety. The cornerstone of this program is mandatory vaccinations for all guests and crew,<sup>2</sup> combined with universal testing and other preventative measures to create multiple layers of protection against the transmission of COVID-19. These stringent protocols go beyond regulatory requirements and far surpass those implemented by other sectors of the travel and hospitality industry, allowing us to offer what we believe to be one of the safest vacation options on land or at sea.

Going forward, the SailSAFE program will be continually evaluated and modified using the latest science and technology under the guidance of our SailSAFE Global Health and Wellness Council led by Dr. Scott Gottlieb, former commissioner of the U.S. Food and Drug Administration.



<sup>2</sup> With the exception of guests under the age of five on Norwegian Cruise Line sailings beginning March 1, 2022. Additional limited exceptions may be made pursuant to valid medical or religious exemptions.

# COMMITMENT TO ESG INITIATIVES

Despite the pandemic’s unprecedented headwinds, we never wavered on our commitment to drive a positive impact on society and the environment through our global sustainability program, Sail & Sustain. In 2021, we meaningfully enhanced our disclosures with the release of our inaugural Environmental, Social and Governance (ESG) Report, including the cruise industry’s first Sustainability Accounting Standards Board (SASB) index. We also unveiled our redesigned Sail & Sustain program which is structured around five pillars developed through cross-functional collaboration with key internal and external stakeholders.

The pillars include:

<b>Reducing Environmental Impact</b> 	<b>Sailing Safely</b> 	<b>Empowering People</b> 	<b>Strengthening Communities</b> 	<b>Operating with Integrity and Accountability</b> 
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In summer 2021, we announced our long-term climate action strategy which is centered around three key focus areas.

- 1

Reducing carbon intensity
- 2

Identifying and investing in technology including exploring alternative fuels
- 3

Implementing a voluntary carbon offset program

In addition to ongoing decarbonization efforts, we committed to offset three million metric tons of carbon dioxide equivalent (MTCO<sub>2</sub>e) over a three-year period beginning in 2021 as a measurable near-term step to help bridge the gap until new technology becomes available. In the fourth quarter of 2021, we initiated a climate risk scenario analysis project and in spring 2022 we published our first disclosure which aligns to the Task Force on Climate-related Financial Disclosures (TCFD) framework.

Throughout 2021, we also participated in several initiatives to support the destinations we visit around the world. In May, we provided \$10 million of cash support to Alaska port communities that our ships frequently call on that were severely impacted by the cruise voyage suspension and joined the "Shop Local Alaska" program to encourage people to help support Alaska small businesses. In our local Miami community, we donated \$100,000 in Visa gift cards to help support the International Longshoremen’s Association Local 1416 which saw 60% of their business wiped out nearly overnight due to the suspension of cruise operations caused by the pandemic. Local 1416 is a pillar of the local community, providing middle-class jobs and holding a historic position as the oldest predominantly Black union in Florida. We also worked with organizations around the world during the voyage suspension to provide much needed humanitarian relief, donating over \$2 million of in-kind donations in 2020 and 2021, including \$1.2 million in nonperishable food and water donations to Feeding South Florida. We further reinforced our commitment to giving back to our communities by announcing a Paid Volunteer Day for all U.S. shoreside team members beginning in 2021.



## PARTNERSHIPS



## ATTRACTIVE FUTURE GROWTH PROFILE

We have an industry-leading growth profile of nine world-class ships joining our fleet through 2027. These newbuilds will grow our fleet by approximately 40%, adding some 24,000 additional berths across our three brands. Our new ships will enhance the premium cabin mix of our fleet and provide additional streams for onboard revenue generation with new and innovative experiences, the latest innovations to improve efficiency and technology to reduce greenhouse gas emissions versus our existing fleet. We have historically demonstrated our success in not only absorbing capacity, but also translating it into outsized revenue, Adjusted EBITDA<sup>3</sup> and operating cash flow growth that significantly outpace the growth in capacity. We expect to continue this trend and drive meaningful growth to the top and bottom lines with the addition of this exciting new capacity.

In summer 2022, we will welcome Norwegian Prima, the first of what will ultimately be a six-ship order for Norwegian Cruise Line. Norwegian Prima has a capacity of 3,300 guests and has been meticulously designed to elevate the guest experience and will showcase numerous cruise industry firsts and new-to-brand experiences, including the world's first transforming venue that converts from a three-story theater into a Vegas-style nightclub, exhilarating free-fall dry slides and a tri-level, 1,200-foot-long go-kart racetrack, the largest at sea. Prima's advance sales have been impressive, including her record-shattering sales debut in May which set a single-best booking day and best initial booking week record for the brand, doubling the previous record set by Norwegian Bliss in 2018. Prima's sister ship, Norwegian Viva, will debut in June 2023 followed by four additional, slightly larger Prima Plus Class vessels through 2027.



Norwegian Prima

<sup>3</sup> Adjusted EBITDA is a non-GAAP financial measure. A reconciliation to the most directly comparable GAAP financial measure and other associated disclosures are contained in "Management's Discussion and Analysis of Financial Condition and Results of Operation."



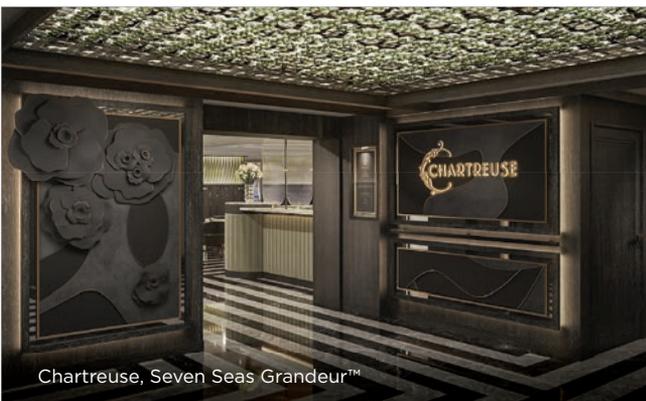
Vista, Lisbon, Portugal

Oceania Cruises' two 1,200-guest next-generation Allura-class ships are scheduled for delivery in spring 2023 and 2025, marking the first newbuild additions to the brand's fleet in over a decade. Vista, the first of these two vessels, set a new all-time single-day booking record for the brand with her sales debut. Nearly half of the available inventory of Vista's inaugural season was sold in one day with 30% of all bookings coming from new-to-brand guests.

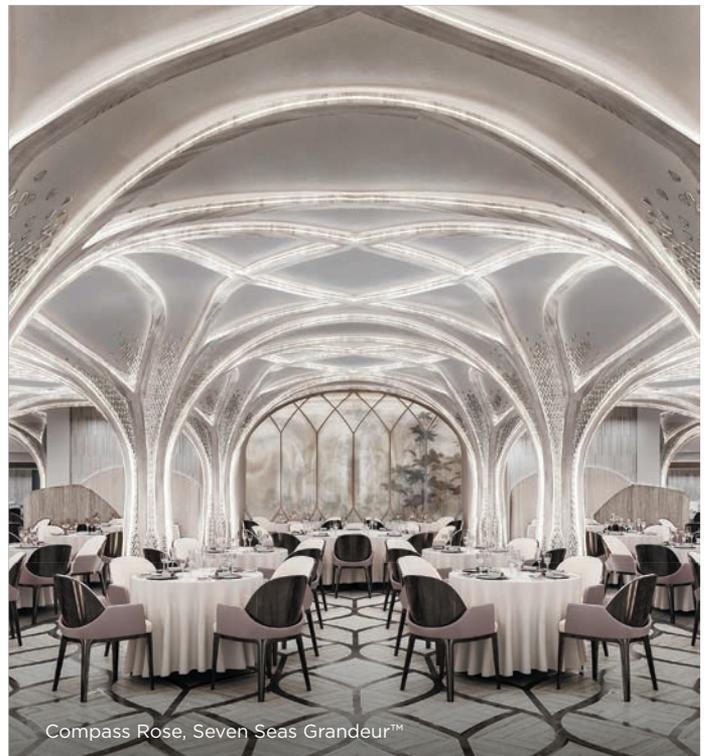
In late 2023, Regent Seven Seas Cruises will also debut Seven Seas Grandeur, the last of its trio of Explorer-class ships which completes the delivery of exquisite luxury vessels built on its "heritage of perfection" and the spectacular success of sister-ships Seven Seas Explorer® and Seven Seas Splendor®.



Regent Suite, Seven Seas Grandeur™



Chartreuse, Seven Seas Grandeur™



Compass Rose, Seven Seas Grandeur™



Norwegian Cruise Line Terminal, Miami



Ward Cove, Ketchikan, Alaska



Harvest Caye, Belize



Great Stirrup Cay, Bahamas

## INVESTING IN THE FUTURE

We continue to focus on enhancing and elevating the guest experience through enriched destination experiences, meaningful ship enhancements, infrastructure development and technology innovations.

Last August, we welcomed guests for the first time to the new state-of-the-art Norwegian Cruise Line flagship terminal at PortMiami, dubbed the “Pearl” of Miami. The approximately 188,000-square-foot building draws inspiration from a nautilus, with its spiraled and multi-level façade. It also features a carefully curated collection of art throughout the complex as part of Miami-Dade County “Art in Public Places” program. The terminal was designed with sustainability at the forefront and is the first LEED Gold New Construction (NC) V4.0 cruise ship terminal in the world. In addition, the Company has also partnered with Miami-Dade County to make the new terminal shore power ready by fall 2023.

Our two private island destinations are also tremendous assets with further opportunity for development. Our private island oasis at Great Stirrup Cay, Bahamas, is a highlight of our Eastern Caribbean and short Bahamas itineraries. We are also the only major cruise operator to have a private resort destination in the Western Caribbean with Harvest Caye in southern Belize.

We also continue to strategically build our presence in Alaska, a fast-growing and very profitable destination-centric region that anchors one of the most popular itineraries for our guests. In 2021, we completed construction of a double-ship pier in Ward Cove, Ketchikan, and a second cruise pier at Icy Strait Point in partnership with Alaska Native-owned Huna Totem Corporation. Our continued investments in the region will enable us to provide our guests with a best-in-class experience as they explore the wonders of The Last Frontier.

As part of its OceaniaNEXT program, Oceania Cruises announced a number of new culinary enhancements in 2021 including new thoughtfully crafted dining experiences, menus and elevated service levels, new wine tasting programs and expanded in-room dining offerings.



## LOOKING AHEAD

I am confident that we will continue to demonstrate our resilience by adapting and innovating to overcome headwinds that may come our way as we execute on our return to service plan and focus on our longer-term recovery. We remain humbled and encouraged by the continued strong demand for future cruise vacations we see from both loyal past guests and new guests alike.

2022 will be a transitional year on our path to recovery, one where we will continue to build on the momentum gained in 2021 and focus on the future while still prioritizing our immediate business needs. The onset of the surge from the Omicron COVID-19 variant had impacted this momentum, particularly for sailings in the first half of the year, but as the surge waned, demand recovered quickly, demonstrating the strong draw of our brands and their unique product offerings. This year will also mark an exciting new chapter for our Company as we take delivery of our first newbuild in over two years. In addition, we are focused on executing on our medium- and long-term financial recovery plan which is centered around three critical components: rebuilding operating margins while identifying opportunities for further margin expansion, maximizing cash generation and optimizing our balance sheet, including charting a path to reducing leverage to pre-pandemic levels on our way to an investment-grade credit rating. In November 2021, we took the first step to begin executing on this plan with a series of strategic balance sheet and cash flow optimization transactions which reduced annual interest expense, lowered leverage, extended the Company's debt maturity profile and increased our liquidity. We will continue to seek and carefully evaluate all opportunities available to accelerate our financial recovery and position us well for the future prosperity.

It is difficult to put into words the extent of the admiration, respect, pride and gratitude that I have for each and every one of our team members across the globe. It is my extraordinary privilege to lead and work alongside this talented team, and I am pleased that we are finally back to doing what we do best, welcoming guests, providing incredible service and delivering safe, healthy and exceptional vacation experiences they will remember for a lifetime.

Thank you for your continued support.

Frank Del Rio  
President and Chief Executive Officer  
Norwegian Cruise Line Holdings Ltd.

NORWEGIAN CRUISE LINE  
FLEET



NORWEGIAN PRIMA PLUS CLASS III-VI - Coming 2024-2027



NORWEGIAN VIVA - Coming June 2023



NORWEGIAN PRIMA - Coming August 2022



NORWEGIAN ENCORE



NORWEGIAN BLISS



NORWEGIAN JOY



NORWEGIAN ESCAPE



NORWEGIAN GETAWAY



NORWEGIAN BREAKAWAY



NORWEGIAN EPIC

NORWEGIAN CRUISE LINE  
FLEET



NORWEGIAN GEM



NORWEGIAN PEARL



NORWEGIAN JADE



NORWEGIAN JEWEL



PRIDE OF AMERICA



NORWEGIAN DAWN



NORWEGIAN STAR



NORWEGIAN SUN



NORWEGIAN SKY



NORWEGIAN SPIRIT

REGENT SEVEN SEAS CRUISES  
FLEET



SEVEN SEAS GRANDEUR™ - Coming November 2023



SEVEN SEAS SPLENDOR®



SEVEN SEAS EXPLORER®



SEVEN SEAS VOYAGER®



SEVEN SEAS MARINER®

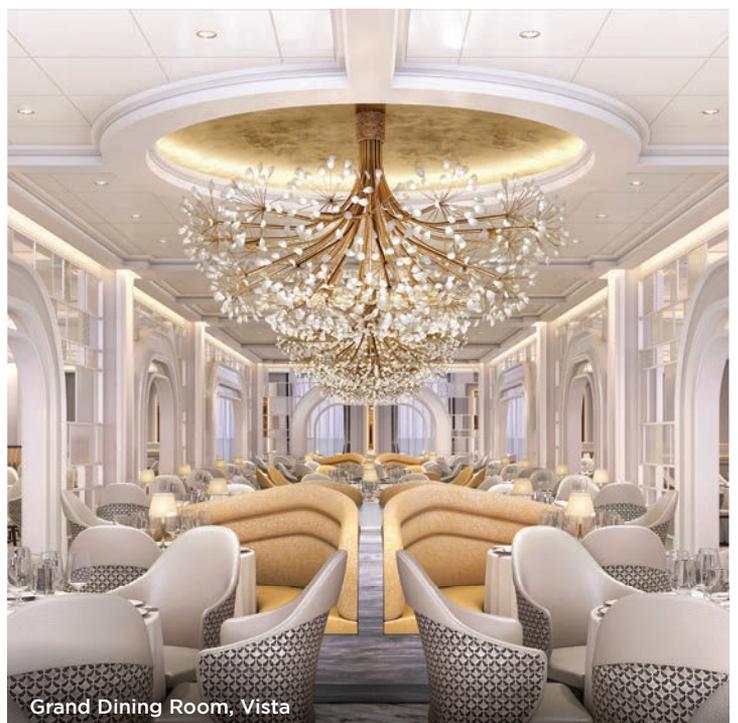


SEVEN SEAS NAVIGATOR®



Regent Suite, Seven Seas Grandeur™

# OCEANIA CRUISES FLEET



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**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, 2021

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, 2021, 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 \$10.8 billion.

There were 417,086,224 ordinary shares outstanding as of February 16, 2022.

**Documents Incorporated by Reference**

Portions of the Proxy Statement for the registrant's 2022 Annual General Meeting of Shareholders, to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2021, 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 (Loss) 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 Exchangeable Notes.* On May 8, 2020, pursuant to an indenture among NCLC, as issuer, NCLH, as guarantor, and U.S. Bank National Association, as trustee, NCLC issued \$862.5 million aggregate principal amount of exchangeable senior notes due 2024.
- *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.
- *2026 Senior Secured Notes.* On July 21, 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 \$750.0 million aggregate principal amount of 10.25% senior secured notes due 2026.
- *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’ Vista and one additional ship 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.* Berths available for sale multiplied by the number of cruise days for the period for ships in service.
- *CDC.* The U.S. Centers for Disease Control and Prevention.
- *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.
- *EPS.* Earnings (loss) per share.
- *Explorer Class Ships.* Regent's Seven Seas Explorer, Seven Seas Splendor, and Seven Seas Grandeur.
- *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.
- *Prima Class Ships.* Norwegian Prima, Norwegian Viva and four additional ships on order.
- *Revolving Loan Facility.* \$875.0 million senior secured revolving credit facility.
- *SEC.* U.S. Securities and Exchange Commission.
- *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, March 25, 2021 and November 12, 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, 2021.

## Cautionary Statement Concerning Forward-Looking Statements

Some of the statements, estimates or projections contained in this report are “forward-looking statements” within the meaning of the U.S. federal securities laws intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained, or incorporated by reference, in this report, including, without limitation, those regarding our business strategy, financial position, results of operations, plans, prospects, actions taken or strategies being considered with respect to our liquidity position, valuation and appraisals of our assets and objectives of management for future operations (including those regarding expected fleet additions, our ability to weather the impacts of the 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, plans or goals for our sustainability program and decarbonization efforts, our expectations for future cash flows and profitability, 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 is expected to continue to adversely impact our results, operations, outlook, plans, goals, growth, reputation, cash flows, liquidity, demand for voyages and share price;
- implementing precautions in coordination with regulators and global public health authorities to protect the health, safety and security of guests, crew and the communities we visit and to comply with regulatory restrictions related to the pandemic;
- legislation prohibiting companies from verifying vaccination status;
- our indebtedness and restrictions in the agreements governing our indebtedness that require us to maintain minimum levels of liquidity and be in compliance with maintenance covenants and otherwise limit our flexibility in operating our business, including the significant portion of assets that are collateral under these agreements;
- our ability to work with lenders and others or otherwise pursue options to defer, renegotiate, refinance or restructure 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 need for additional financing or financing to optimize our balance sheet, which may not be available on favorable terms, or at all, and our outstanding exchangeable notes and any future financing which may be dilutive to existing shareholders;
- the unavailability of ports of call;
- future increases in the price of, or major changes or reduction in, commercial airline services;
- changes involving the tax and environmental regulatory regimes in which we operate, including new regulations aimed at reducing greenhouse gas emissions;
- the accuracy of any appraisals of our assets as a result of the impact of the COVID-19 pandemic or otherwise;

- our success in controlling operating expenses and capital expenditures;
- trends in, or changes to, future bookings and our ability to take future reservations and receive deposits related thereto;
- 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 interest, 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;
- 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;
- our inability to recruit or retain qualified personnel or the loss of key personnel or employee relations issues;
- our inability to obtain adequate insurance coverage;
- pending or threatened litigation, investigations and enforcement actions;
- any further impairment of our trademarks, trade names or goodwill;
- 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 reliance on third parties to provide hotel management services for certain ships and certain other services;
- fluctuations in foreign currency exchange rates;
- our expansion into new markets and investments in new markets and land-based destination projects;
- overcapacity in key markets or globally; 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.

In addition, some of our executive officers and directors have not sold their shares in us since the beginning of the COVID-19 pandemic as a gesture of support for our Company as they navigated us through unprecedented

challenges. Now that we have resumed operations, we anticipate that our executive officers and directors may sell shares under Rule 10b5-1 plans beginning in the first quarter of 2022 as part of their ordinary course financial planning.

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

## 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, 2021, 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 temporarily suspended all global cruise voyages from March 2020 until July 2021, when we resumed cruise voyages on a limited basis. 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, we have six Prima Class Ships on order, 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 Prima Class 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

Due to the impact of COVID-19, travel restrictions and limited access to ports around the world, in March 2020, the Company implemented a voluntary suspension of all cruise voyages across our three brands. In the third quarter of 2021, we began a phased relaunch of certain cruise voyages with ships initially operating at reduced occupancy levels.

Beginning in December 2021, the spread of the Omicron variant of COVID-19, with its increased transmissibility, caused several operational challenges and disruptions, including new travel restrictions and increased protocols in ports of call limiting port availability, which led to the cancellation of certain voyages in the fourth quarter of 2021 and first quarter of 2022, and the postponement of the restart of certain vessels. As of the date hereof, 16 of our 28 ships, or 70% of our Berth capacity, are operating with guests on board. This excludes a vessel which was paused from service beginning December 2021 due to the cancellation of its South Africa and related itineraries as a result of travel restrictions and other operational challenges due to the Omicron variant. We expect to have approximately 85% of capacity operating by the end of the first quarter of 2022 with the full fleet expected to be back in operation during the early part of the second quarter of 2022.

In connection with the expiration of the Temporary Extension and Modification of Framework for Conditional Sailing Order on January 15, 2022, the CDC announced that it would be implementing the COVID-19 Program for Cruise Ships Operating in U.S. Waters (the “Program”), a voluntary COVID-19 risk mitigation program for foreign-flagged cruise ships operating in U.S. waters. The CDC released details regarding the Program in February 2022, which we have reviewed. We currently remain opted into the Program. As part of our SailSAFE health and safety program, our SailSAFE Global Health and Wellness Council, chaired by former head of the U.S. Food and Drug Administration, Dr. Scott Gottlieb, continues to advise the Company on health and safety protocols in light of advancements in medicine and technology.

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. 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.

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

##### *Health and Safety*

In response to the public health environment brought on by the COVID-19 pandemic, we have developed SailSAFE™, 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. The panel’s recommendations have informed new detailed health and safety protocols for our return-to-service plan.

The Company also further extended its depth and breadth of experts with the formation of its SailSAFE Global Health and Wellness Council, comprised of four experts at the forefront of their fields and led by Chairman Dr. Scott Gottlieb.

The Council's work complements the Healthy Sail Panel initiative and focuses on the implementation, compliance with and continuous improvement of health and safety protocols across the Company's operations. 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.

#### *Port Availability*

In preparation for our resumption of operations, we coordinated closely with the homeports and ports of call around the world in which we had previously operated. Based on the openness and availability of ports, we drafted a voyage resumption plan with a slate of voyages, which we have modified as additional ports opened or temporarily closed for cruise traffic. Due to varied embarkation and disembarkation requirements by port, we are implementing processes to inform passengers of local regulations and requirements. We remain in contact with ports of call to ensure accessibility and any need for modifications due to port availability.

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

We continue to take proactive measures to enhance liquidity and financial flexibility in the current environment. In March 2021, we received additional financing through various debt financings and an equity offering, collectively totaling \$2.7 billion in gross proceeds. From the proceeds, approximately \$1.5 billion was used to extinguish debt. In November 2021, the Company executed a \$1 billion commitment through August 15, 2022 that provides additional liquidity to the Company. Also in November 2021, we received additional financing through a debt financing and an equity offering, collectively totaling \$2.3 billion in gross proceeds. From the proceeds, approximately \$2.0 billion was used to extinguish debt. In addition, in February 2022, we received additional financing through various debt financings, collectively totaling \$2.1 billion in gross proceeds, all of which has been, or will be, used to redeem all of the outstanding 2024 Senior Secured Notes and 2026 Senior Secured Notes and to make principal payments on debt maturing in the short-term, including, in each case, to pay any accrued and unpaid interest thereon, as well as related premiums, fees and expenses. Refer to Note 8 – "Long-Term Debt" for further details about the above transactions.

We also undertook several proactive cost reduction and cash conservation measures to mitigate the financial and operational impacts of the COVID-19 pandemic, including the reduction of capital expenditures and deferral of debt amortization as well as a reduction 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.

#### ***Resumption of Operations***

We began a phased relaunch of cruise voyages in July 2021. Initially, each newly launched ship is expected to operate at reduced occupancy, which will gradually increase over time. We plan to continue gradually launching ships from each brand through the early part of the second quarter of 2022. Based on the current conditions, we are planning for all ships to sail at full capacity by the end of 2022. The timing for returning ships to service, the level of occupancy on our ships 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 more contagious and/or vaccine-resistant variants of COVID-19, the availability, distribution, rate of public acceptance and efficacy of vaccines and therapeutics for COVID-19, our ability to comply with governmental regulations and implement new health and safety protocols, port availability, travel restrictions, bans and advisories and our ability to re-staff certain ships. Refer to "Item 1A. Risk Factors" for further details regarding the uncertainties of returning to sailing at full fleet capacity, and "Item 1A. Risk Factors—If our phased restart of cruise operations does not resume as planned, we may not be in compliance with maintenance covenants in certain of our debt facilities" for details regarding the potential effect of delays on our debt covenants.

Our COVID-19 vaccination policy requires that all guests, with the exception of guests under the age of 12 on Norwegian Cruise Line sailings beginning March 1, 2022, and all crew must be vaccinated. In the U.S., certain states have enacted legislation prohibiting companies from verifying the vaccination status of guests. We challenged such a

prohibition in Florida in court and received a preliminary injunction allowing us to operate as planned. As a result of regulatory requirements and other logistical challenges, the timeline for our ability to return our entire fleet to cruises is fluid. Nevertheless, we continue to work with 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 as we continue to resume operations.

## 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>		
Norwegian Viva (2)	2023	The Bahamas, Caribbean, Europe
Norwegian Prima (2)	2022	The Bahamas, Bermuda, Caribbean, Europe
Norwegian Encore	2019	Alaska, the Bahamas, Caribbean, Central America, Mexico-Pacific, U.S. West Coast
Norwegian Bliss	2018	Alaska, Caribbean, Central America, Mexico-Pacific, U.S. West Coast
Norwegian Joy	2017	The Bahamas, Bermuda, Canada & New England, Caribbean, Central America, Mexico-Pacific
Norwegian Escape	2015	The Bahamas, 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	Bermuda, Caribbean, Europe
Norwegian Gem	2007	The Bahamas, Bermuda, Canada & New England, Caribbean, Central America, Europe
Norwegian Jade	2006	Africa, Asia, the Bahamas, Caribbean, Europe
Norwegian Pearl	2006	The Bahamas, Bermuda, Canada & New England, Caribbean, Central America, Europe
Norwegian Jewel	2005	Alaska, Caribbean, Central America, Hawaii, Mexico-Pacific, U.S. West Coast
Pride of America	2005	Hawaii
Norwegian Dawn	2002	Caribbean, Europe
Norwegian Star	2001	Antarctica, Europe, South America
Norwegian Sun	2001	Alaska, Asia
Norwegian Sky	1999	The Bahamas, Bermuda, Canada & New England, Caribbean, Central America
Norwegian Spirit	1998	Alaska, Australia & New Zealand, Hawaii, South Pacific
<b>Oceania Cruises</b>		
Oceania Vista (3)	2023	The Bahamas, Bermuda, Canada & New England, Caribbean, Central America, Europe, Mexico-Pacific
Oceania Riviera	2012	Africa, Asia, Bermuda, Caribbean, Europe
Oceania Marina	2011	Antarctica, Caribbean, Central America, Europe, South America
Oceania Nautica	2000	Africa, Asia, Australia & New Zealand, Bermuda, Canada & New England, Caribbean, Europe, South America, South Pacific
Oceania Sirena	1999	The Bahamas, Bermuda, Caribbean, Central America, Europe
Oceania Regatta	1998	Alaska, Asia, Australia & New Zealand, Hawaii, Mexico-Pacific, South Pacific, U.S. West Coast
Oceania Insignia	1998	Africa, Asia, Australia & New Zealand, Bermuda, Canada & New England, Caribbean, Central America, Europe, Hawaii, Mexico-Pacific, South America, South Pacific, U.S. West Coast
<b>Regent</b>		
Seven Seas Grandeur (4)	2023	The Bahamas, Bermuda, Caribbean, Central America, Europe, Mexico-Pacific
Seven Seas Splendor	2020	The Bahamas, Bermuda, Caribbean, Central America, Europe, Mexico-Pacific, South America
Seven Seas Explorer	2016	Africa, Alaska, Asia, Australia & New Zealand, the Bahamas, Caribbean, Central America, Europe, Mexico-Pacific
Seven Seas Voyager	2003	Africa, Antarctica, Bermuda, Caribbean, Europe, South America
Seven Seas Mariner	2001	Africa, Alaska, Asia, Australia & New Zealand, the Bahamas, Bermuda, Canada & New England, Caribbean, Central America, Europe, Hawaii, Mexico-Pacific, South America, South Pacific, U.S. West Coast
Seven Seas Navigator	1999	Africa, Asia, Australia & New Zealand, Bermuda, Canada & New England, Caribbean, Europe, South America, South Pacific

- (1) The table above does not include the five additional ships on order.
- (2) The first and second of the Prima Class Ships, which are expected to be delivered in the summer of 2022 and spring of 2023, respectively.
- (3) The first of the Allura Class Ships, which is expected to be delivered in the spring of 2023.
- (4) The last of the Explorer Class Ships, which is expected to be delivered in the fall of 2023.

## **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 business class air on intercontinental flights, unlimited shore excursions, 1-night pre-cruise hotel package in Concierge Suites and higher, specialty restaurants, unlimited beverages, including fine wines and spirits, pre-paid gratuities, unlimited Wi-Fi, transfers between airport and ship, valet laundry service 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.

### ***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 including Scandinavia, Russia, the Mediterranean, the Greek Isles, Alaska, Canada and New England, Hawaii, 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 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, we have six Prima Class Ships on order, each ranging from approximately 140,000 to 156,300 Gross Tons with approximately 3,215 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 backed 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, Brazil, India, Japan and Singapore.

### ***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 selling 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 process creates a deeper understanding of all our product offerings. We continue 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. As sailings have resumed, we 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 to sell high-quality music experiences at sea to guests.

### ***Marketing Strategy***

In 2021, our gradual return to service was accompanied by a disciplined increase in sales and marketing activities to further drive demand. Marketing activities in 2022 have once again ramped up focusing on driving sales at maximum yield. 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 marketing strategy that may include a combination of print, television, radio, digital, 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. Additionally, we 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 target marketing 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 loyal repeat guest base. Continued investments in our websites and applications 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 with us.

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 products and experiences, itineraries and other best-selling practices. Advisors can also easily customize a multitude of consumer marketing materials for their use in promoting and marketing 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 of the experiences we provide.

### ***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 programs in our local communities and at the destinations we visit. We are committed to addressing climate change and doing our part to protect and preserve the environment. The ultimate goal of our long-term climate action strategy is to reach carbon neutrality through reducing carbon intensity, investing in technology including exploring alternative fuels and implementing a voluntary carbon offset program. The management systems for all of our ships are certified under the International Organization for Standardization's 14001 Standard. This voluntary standard sets requirements for the establishment and implementation of a comprehensive environmental management system which we have adopted for our operations. We promote environmental awareness among our stakeholders both through our corporate global sustainability program, Sail & Sustain, and our annual Environmental, Social and Governance report. 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, 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 from March 2020 until July 2021 due to the COVID-19 pandemic and our resumption of cruise voyages are being phased in gradually.

### **Competition**

Our primary competition includes operators such as Carnival and Royal Caribbean as well as other cruise lines such as MSC 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. In order to expand our public health protocols, we have developed an Infectious Disease Management System that our crew members are trained on prior to returning to service. These policies are certified and audited to DNV’s Certification in Infection Prevention which further enhances our outbreak prevention and response to all types of infectious disease including, but not limited to COVID-19, norovirus, acute gastroenteritis, influenza and influenza-like illnesses.

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 protocols and support documentation 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.

### ***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.

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. 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. In 2018, the Vessel Incidental Discharge Act (“VIDA”), which will eventually replace the VGP, was signed into law, and in October 2020, the EPA published a notice of proposed rulemaking to establish national standards of performance under VIDA that would apply to 20 different types of vessel equipment and systems, as well as general discharge standards that would apply to all types of vessel incidental discharges. The VGP has been administratively extended while standards under VIDA are being developed. With certain exceptions, VIDA requires that the new standards be at least as stringent as the VGP requirements.

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. All non-ECA waters have a 0.5% fuel sulfur limit. With regard to carbon dioxide emissions, in July 2021, the E.U. published proposed legislation that would extend its Emissions Trading System to the maritime transport sector. Under the proposal, ships over 5,000 Gross Tons that transport passengers or cargo to or from E.U. member state ports would be required to purchase and surrender emissions allowances equivalent to emissions for all or a half of a covered voyage, depending on whether the voyage was between two E.U. ports or an E.U. and a non-E.U. port. The requirements are proposed to be phased in from 2023 to 2026. Beginning in 2023, covered entities would be required to surrender allowances equivalent to 20% of their verified emissions, with the amount increasing to 45% in 2024, 70% in 2026, and 100% in 2026.

In 2021, the IMO adopted two new requirements going into effect in 2023, the Carbon Intensity Indicator (the “CII”) and Energy Efficiency Ship Index (the “EEXI”) which each regulate carbon emissions for ships. The CII is an operational metric designed to measure how efficiently a ship transports goods or passengers by looking at carbon dioxide emissions per nautical mile. Ships are given an annual rating from A to E with a C or better required for compliance. For ships that receive a D rating for three consecutive years, or an E rating for one year, a corrective action plan will need to be developed and approved. In 2023, ships will be required to reduce carbon intensity by 5% from a 2019 baseline with 2% incremental improvements each year thereafter until 2030. The EEXI is a design re-certification requirement that updates energy efficiency requirements for existing ships and regulates carbon dioxide emissions related to installed engine power, transport capacity and ship speed.

Compliance with such laws and regulations may entail significant expenses for ship modification and the purchase of emissions allowances, increase costs for compliant newbuilds, render some ships obsolete, significantly increase costs for alternative fuels and require changes in operating procedures, including limitations on our ability to operate in certain locations or slowing the speed of our ships, which could adversely impact our operations. 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.

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.

We refer you to “—Our Mission, Competitive Strengths & Business Strategies — Our Commitment to Sustainability” for information related to our Environmental, Social and Governance strategy.

### ***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 have rated 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.

Currently, we are working directly with the CDC Maritime Unit as well as other health regulatory authorities, such as E.U. Healthy Gateways, to adjust our COVID-19 response protocols. We refer you to “—Strategy for COVID-19—Resumption of Operations” 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, 2021, we have in place approximately £48.1 million of security guarantees for our brands as well as a consumer protection policy covering up to £51.1 million. The Company has provided approximately \$28.9 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 certain recently introduced laws and regulations and future changes in laws and regulations could lead to increased costs and/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 2021, 2020 and 2019, 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, 2021, we employed approximately 3,500 full-time employees worldwide in our shoreside operations and approximately 31,200 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 approximately 29% female and approximately 14% under-represented minority. 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 approximately 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. In 2021, we announced our Diversity in Leadership employee resource group, Embrace, to promote diversity and inclusion within our management teams and to serve as a feedback channel for front line employees.

As of December 31, 2021, 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	52%	48%
All shipboard team members	78%	22%
3-stripe/above (equivalent to Manager level)	86%	14%
<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	51%	49%

- (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 URM’s 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.

While we took several measures in 2020 to preserve liquidity, we proudly supported our team with several positive shoreside and shipboard compensation measures throughout 2021. Our 401(k) retirement savings plan employer match was reinstated to eligible team members. Additionally, our shoreside Directors and above were reinstated to 100% salary compensation on January 4, 2021 to match their below Director colleagues who were reinstated to 100% salary or hours compensation on November 23, 2020, and our management bonus was awarded at least at 50% of target. We also issued an appreciation bonus of up to 10 days of pay to non-management employees not eligible under other bonus or incentive programs. The Company also reviews salary levels in order to remain competitive in recruiting and retaining talent for shoreside and shipboard employees.

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. Our shoreside offices monitored local conditions and followed government legislation and guidance to prepare to return to our office environments when it was deemed safe to do so. In June 2021, we phased in our return to our U.S. corporate offices, with extensive office protocols, including onsite nurses, rigorous COVID-19 testing and contact tracing, as well as enhanced office sanitation practices and heating, ventilation, and air conditioning improvements. U.S. shoreside team members were also afforded paid COVID-19 vaccination recovery days. To further demonstrate our commitment to being an employer of choice, the Company also announced an indefinite 4/1 flexible work model for shoreside team members globally. The flexible model allows most employees to work in-office Monday through Thursday and remotely on Friday.

### ***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. In 2021, we supported 425 team members or approximately 12% of our shoreside work force with promotions. 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.

In early 2021, we established a new Rising Stars program to identify high potential shoreside leaders at the Director and Senior Director level. The 6-month program is conducted with a human resources strategy firm and is focused on developing a growth mindset to refine leadership strengths, champion change and encourage innovation through assessment tools, one-on-one coaching and group learning. Due to its success and positive reception, we grew the program to include three concurrent cohorts to allow more leaders to benefit from this highly sought after development program.

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***

In February 2021, the Company was proudly honored by Forbes as one of America's Best Large Employers for 2021. The Company ranked among the top 75 companies in the overall Large Employer category and among the top 10 companies in the Travel & Leisure sector. The Company was then further recognized by Forbes in October 2021, as part of 2021 World's Best Employers list.

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 2021

remained within our historical range despite the impact that the COVID-19 pandemic has had on our Company and industry. We maintained our Standby Pay Program from 2020 into 2021 to retain our key shipboard officers who are off their normal contract rotation, which continues to facilitate our return to service with our experienced team.

Exceptional team members continue to be 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 awarded our first 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, 2022.

Name	Age	Position
Frank J. Del Rio	67	Director, President and Chief Executive Officer
Mark A. Kempa	50	Executive Vice President and Chief Financial Officer
Jason M. Montague	48	President and Chief Executive Officer, Regent brand
Howard Sherman	53	President and Chief Executive Officer, Oceania Cruises brand
Harry Sommer	54	President and Chief Executive Officer, Norwegian brand
Daniel S. Farkas	53	Executive Vice President, General Counsel and Assistant Secretary
T. Robin Lindsay	64	Executive Vice President, Vessel Operations
Faye L. Ashby	50	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.

**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.

**Howard Sherman** has served as the President and Chief Executive Officer of the Oceania Cruises brand since January 2022. Prior to that, he served as Executive Vice President, Onboard Revenue and Destination Services of NCLH from September 2016 through December 2021 and as Executive Vice President, Revenue Management from February 2015 until September 2016. Prior to the Acquisition of Prestige, Mr. Sherman held various roles at Prestige from 2003 to 2014 including Executive Vice President, Revenue Management and Chief Revenue Officer, Senior Vice President, Revenue Management and Vice President of Yield and Inventory Management. Mr. Sherman holds a Bachelor's degree in Accounting from St. Thomas University.

**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 COVID-19 pandemic has had, and is expected to continue to have, 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. We began resuming cruise voyages in July 2021 in a phased manner as part of our return to service plan. We expect the remaining ships in our fleet will continue incrementally resuming voyage operations through the early part of the second quarter of 2022, but due to the uncertainties surrounding the COVID-19 pandemic, we have cancelled some announced restart cruise voyages and delayed the expected restart dates for some of our ships. It may take us longer than expected to return our entire fleet to cruise voyage operations and/or the suspension could potentially be reinstated, and the total length of time the majority of our fleet is out of cruise voyage operations or operating at significantly reduced occupancy levels may be prolonged. In addition, we have been, and will continue to be, further negatively impacted by related developments, including heightened governmental regulations, travel advisories, travel bans and restrictions, including those implemented by the U.S. Department of State, the CDC, the Department of Homeland Security and other state, Federal and international governments and regulators, 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. Additionally, in the U.S., certain states have enacted legislation prohibiting companies from verifying the vaccination status of guests, which in some instances we have challenged in court. As a result of these requirements and other logistical challenges, the timeline for our ability to return our entire fleet to cruises is fluid. We expect to continue to incur significant COVID-19 related costs in relation to these regulations and as we implement and maintain health-related protocols on our ships, such as controlled capacity and testing, which have had and may continue to have a significant effect on our operations. We have had instances of COVID-19 on our ships and 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, implementation of additional health and safety measures, reduced demand for cruise vacations, guest compensation, itinerary modifications, redeployments and cancellations, travel restrictions and advisories, the unavailability of ports and/or destinations, protected commissions, 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 with quarantine or isolation and food and housing in the event they are prevented from returning home in an optimal time frame.

Our ability to transport crew to and from our ships 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. Additionally, our policy that crew members must be fully vaccinated has created logistical challenges due to limitations on vaccine supplies, logistical complexities relating to vaccinating crew members who reside in different countries around the world and vaccine hesitancy. Such restrictions on crew travel and challenges in making sure our crew members have been vaccinated has impacted and could continue to impact our ability to staff our ships as operations continue to resume.

We have been and may continue to be the subject of lawsuits and investigations stemming from COVID-19. For example, 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 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.

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 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 disruption to economic activity is 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. 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. The global supply chain has also been negatively impacted by COVID-19, which has had an effect on our operations and our ability to source supplies. 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 timing for bringing our full fleet back in service and number of cancellations, we may be required to provide cash refunds for a substantial portion of the balance of our advance ticket sales. Accordingly, as a result of these unprecedented circumstances, we cannot predict the full impact of COVID-19 on our business, financial condition and results of operations.

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. Additionally, some of our protocols, such as our requirement that all guests, with the exception of guests under the age of 12 on Norwegian Cruise Line sailings beginning March 1, 2022, and all crew must be vaccinated for our initial voyages, may attract negative publicity.

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, 2021, we had cash collateral reserves of approximately \$1.2 billion with credit card processors recognized in accounts receivable, net or other long-term assets. We may be required to pledge additional collateral and/or post additional 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 expect to report a net loss until we are able to resume regular 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 and S&P Global have both downgraded our credit ratings. 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. Accordingly, 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. Our ability to incur future indebtedness could be impacted by the accuracy of any appraisals of our assets as a result of the impact of the COVID-19 pandemic or otherwise.

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 and severity of the pandemic, including the severity and transmission rates of more contagious and/or vaccine-resistant variants of COVID-19, the availability, distribution, rate of public acceptance 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.

***If our phased restart of cruise operations does not resume as planned, 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 \$200,000,000 at all times, a total net funded debt to total capitalization ratio of less than 0.86 to 1.00 on March 31, 2023, 0.85 to 1.00 on June 30, 2023 and 0.83 to 1.00 at the end of each fiscal quarter thereafter and an EBITDA to consolidated debt service ratio of at least 1.25 to 1.00 at the end of each fiscal quarter unless free liquidity is greater than or equal to \$200,000,000 at that time. The testing of the covenants under the Senior Secured Credit Facility

has been suspended to and including December 31, 2022, with the exception of the free liquidity test. As a result of the COVID-19 pandemic, we paused our global fleet cruise operations from March 2020 until July 2021. Although we resumed our cruise voyages on a limited basis in July 2021, if we are unable to re-commence our normal operations in the time period and manner expected or if we must again pause our voyages, 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.

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 these 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 our outstanding exchangeable notes and any future financing 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 phased resumption of cruise voyages does not progress as expected. 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. 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 and/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 and/or cost of financing. There can be no assurance that our ability to access the credit and/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.

If we raise additional funds through equity and/or debt issuances, NCLH's 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 NCLH's ordinary shares. Further, the exchange of some or all of our outstanding exchangeable notes may dilute the ownership interests of NCLH's shareholders. Upon exchange of any of the exchangeable notes, any sales in the public market of NCLH's ordinary shares issuable upon such exchange could adversely affect prevailing market prices of NCLH's ordinary shares. In addition, the existence of the exchangeable notes may encourage short selling by market participants that engage in hedging or arbitrage activity, and anticipated exchange of any of the exchangeable notes into NCLH ordinary shares could depress the price of NCLH's 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, such as the operating environment created by the COVID-19 pandemic, impacts affecting consumer demand or spending, the deterioration of general macroeconomic conditions, or other factors could result in a change to the future cash flows we expect to derive from our operations. Reductions of the cash flows used in the impairment analyses may result in the recording of an impairment charge to a reporting unit's trade name or goodwill. We recognized significant impairment losses during 2020 related to the COVID-19 pandemic. 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.

In 2017, the U.K.'s Financial Conduct Authority ("FCA"), which regulated the London Interbank Offered Rate ("LIBOR"), announced its intention to phase out LIBOR by the end of 2021 and the Alternative Reference Rates Committee selected the Secured Overnight Financing Rate ("SOFR") as the rate recommended to replace U.S. dollar LIBOR ("USD LIBOR"). In December 2020, ICE Benchmark Administration ("IBA"), the administrator of LIBOR, released a consultation disclosing that it would cease publication of one-week and two-month USD LIBOR after December 31, 2021, but continue to publish the remaining tenors of USD LIBOR for an additional 18 months, through June 30, 2023. These remaining tenors of USD LIBOR—overnight, one-month, three-month, six-month and 12-months—encompass the tenors referenced in certain of our borrowings and interest rate swaps. However, uncertainty remains as many market participants await the development of term SOFR products, i.e., forward-looking rates and indices that might co-exist with SOFR. In addition, recent New York state legislation effectively codified the use of SOFR as the alternative to LIBOR in the absence of another chosen replacement rate, which may affect contracts governed by New York state law.

We plan to transition away from LIBOR as a reference rate in the coming months. We will need to amend our credit facilities to determine replacement rates, which may result in interest payments that differ from our original expectations and which may materially impact the amount of our interest payments under our variable rate debt. We will also need to consider any new contracts and whether they should reference an alternative benchmark rate or include suggested fallback language, as published by the Alternative Reference Rates Committee. Additionally, SOFR is calculated based on short-term repurchase agreements, backed by Treasury securities. SOFR is observed and backward looking, which stands in contrast with LIBOR, which is an estimated forward-looking rate and relies, to some degree, on the expert judgment of submitting panel members. Given the inherent differences between LIBOR and SOFR or any other alternative benchmark rate that may be established, there are many uncertainties regarding a transition from LIBOR. The consequences of these developments with respect to LIBOR cannot be entirely predicted and span multiple future periods but could result in an increase in the cost of our variable rate debt which may be detrimental to our financial position or operating results.

## **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 at times limited the number of ports that are able and willing to accommodate passenger cruise voyages and we expect these limitations will continue as the prevalence of COVID-19 fluctuates in certain destinations. 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, significant delays and disruptions, 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 or other staffing shortages, 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 and experienced staffing shortages and other disruptions due to the COVID-19 pandemic. COVID-19 related regulations have also sometimes prevented us from using commercial airline services to transport 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), could have an adverse impact on demand, which 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 interest rates, 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, inflation, 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 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, including more costly alternate fuel sources, 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. We may also be required to use alternate fuel sources in the future as additional regulations aimed at reducing carbon intensity are introduced or in order to achieve any emissions reductions targets we may adopt. For example, the IMO adopted two new requirements going into effect in 2023, the Carbon Intensity Indicator and Energy Efficiency Ship Index which each regulate carbon emissions for ships. 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. 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. Additionally, we are reliant on a third party to oversee certain newbuild and Dry-dock projects. Any occurrence that prevented such third party from continuing to oversee such projects or substantially increased the costs related to such oversight could have an adverse effect on our operations. 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.

***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 as we continue our phased relaunch of ships and to recruit new employees generally.

***Impacts related to climate change may adversely affect our business, financial condition and results of operations.***

There has been an increased focus on greenhouse gas and other emissions from global regulators, consumers and other stakeholders. Regulations addressing climate change that have already been adopted or are being considered, as described under “Risks Related to the Regulatory Environment in Which We Operate,” may have significant adverse impacts to our profitability and operations. In addition, concern about climate change may cause consumers to avoid certain kinds of travel including cruise and air travel, which could impact our ability to source guests. Increasing concerns about greenhouse gas emissions may attract scrutiny from investors and may make it more difficult for us to raise capital. Our ships, port facilities, corporate offices and island destinations may also be adversely affected by an increase in the frequency and intensity of adverse weather conditions caused by climate change. We may be required or choose to make significant investments in technology, equipment and alternative fuels in order to achieve any climate-related targets we may set and our profitability and operations may be adversely impacted by such investments.

***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.

***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.

***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.

***Our expansion into new markets and investments in new markets and land-based destination projects 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. We have also made, and plan to continue to make, investments in land-based projects including port facilities and destination projects that are susceptible to impacts from, among other things, weather events, regulatory restrictions, labor risks, shortages of goods and materials and resistance from local populations. Any such impacts to our land-based projects could adversely impact our business, financial condition and results of operations.

***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.

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

*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 certain recently introduced laws and regulations and future changes in laws and regulations could lead to increased costs and/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 restricting or taxing emissions, including those of greenhouse gases, requiring the use of low-sulfur fuels, requiring the use of shore power while in port, increasing fuel efficiency requirements, reducing the threat of invasive species in ballast water, and improving sewage and greywater-handling capabilities. For example, 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 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. In 2021, the IMO adopted two new requirements going into effect in 2023, the Carbon Intensity Indicator (the "CII") and Energy Efficiency Ship Index (the "EEXI") which each regulate carbon emissions for ships. The CII is an operational metric designed to measure how efficiently a ship transports goods or passengers by looking at carbon dioxide emissions per nautical mile. Ships are given an annual rating from A to E with a C or better required for compliance. For ships that receive a D rating for three consecutive years, or an E rating for one year, a corrective action plan will need to be developed and approved. In 2023, ships will be required to reduce carbon intensity by 5% from a 2019 baseline with 2% incremental improvements each year thereafter until 2030. The EEXI is a design re-certification requirement that updates energy efficiency requirements for existing ships and regulates carbon dioxide emissions related to installed engine power, transport capacity and ship speed. In addition, in July 2021, the E.U. published proposed legislation that would extend its carbon dioxide Emissions Trading System to the maritime transport sector. Under the proposal, ships over 5,000 Gross Tons that transport passengers or cargo to or from E.U. member state ports would be required to purchase and surrender emissions allowances equivalent to emissions for all or a half of a covered voyage, depending on whether the voyage was between two E.U. ports or an E.U. and a non-E.U. port. The requirements are proposed to be phased in from 2023 to 2026. Beginning in 2023, covered entities would be required to surrender allowances equivalent to 20% of their verified emissions, with the amount increasing to 45% in 2024, 70% in 2026, and 100% in 2026.

Compliance with such laws and regulations may entail significant expenses for ship modification and the purchase of emissions allowances, increase costs for compliant newbuilds, render some ships obsolete, significantly increase costs for alternative fuels and require changes in operating procedures, including limitations on our ability to operate in certain locations or slowing the speed of our ships, which could adversely impact our operations. 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.

Additionally, 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.

***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.

***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, but not limited to, Bermuda, Guernsey, Isle of Man, British Virgin Islands, Cayman Islands, the Bahamas, Saint Lucia and Marshall Islands. 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**

None.

#### **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 376,100 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 material 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."

#### Holdings

As of February 16, 2022, there were 274 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.

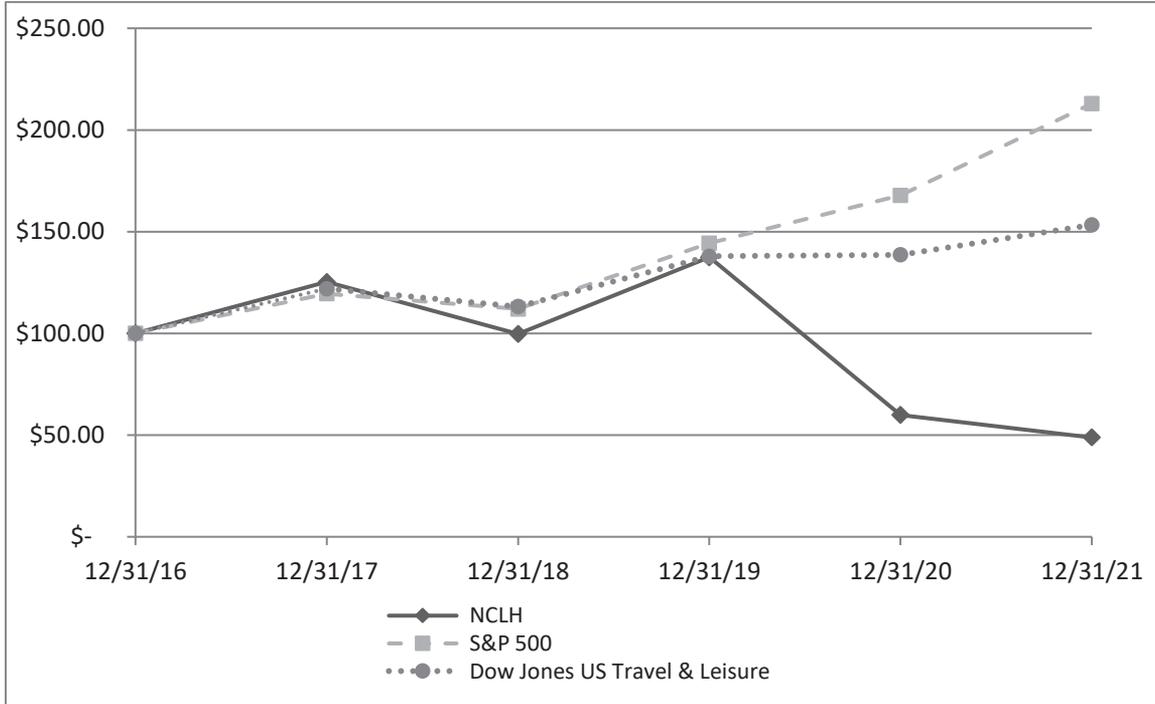
#### Dividends

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 2016. 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. [Reserved]

## 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 from March 2020 until July 2021 due to the COVID-19 pandemic and our resumption of cruise voyages will be phased in gradually as described under “—Update Regarding COVID-19 Pandemic” below. 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. Our principal assumptions for future cash flow projections include:

- Expected gradual phased return to service at reduced occupancy levels, increasing over time until we reach historical occupancy levels;
- Expected increase in revenue per passenger cruise day through a combination of both passenger ticket and onboard revenue as compared to 2019;
- Forecasted cash collections 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 duration and extent of the COVID-19 pandemic, further resurgences and new more contagious and/or vaccine-resistant variants of COVID-19, the availability, distribution, rate of public acceptance and efficacy of vaccines and therapeutics for COVID-19, our ability to comply with governmental regulations and implement new health and safety protocols, port availability, travel restrictions, bans and advisories and our ability to re-staff certain ships, we cannot predict with certainty when our full fleet will be back in service at historical occupancy levels. Our projected liquidity requirements reflect our principal assumptions surrounding ongoing operating costs, as well as liquidity requirements for financing costs and necessary capital expenditures.

We cannot make assurances that our assumptions used to estimate our liquidity requirements may not change because we have never experienced a complete cessation and resumption 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.

### ***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 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 was accounted on a prospective basis and was 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, 2021 would have increased by \$16.2 million. In addition, if our ships were estimated to have no residual value, depreciation expense for the same period would have increased by \$76.4 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 a qualitative assessment 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 believe our estimates and judgments with respect to our long-lived assets, principally ships, goodwill, tradenames and other indefinite-lived intangible assets are reasonable. Nonetheless, if there was a material change in assumptions used in the determination of such fair values or if there is a material change in the conditions or circumstances that influence such assets, we could be required to record an impairment charge. If a material change occurred or the result of the qualitative assessment indicated it is more likely than not that the estimated fair value of the asset is less than its carrying value, we would conduct a quantitative assessment comparing the fair value to its carrying value.

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.

For our annual impairment evaluation, we performed a qualitative assessment for the Regent Seven Seas reporting unit and of each brand's trade names. As part of our analysis, we performed an assessment of the key assumptions impacting the quantitative tests performed in 2020 and performed sensitivities on cash flow projections, discount rates and royalty rates. As of December 31, 2021, there was \$98.1 million of goodwill remaining for the Regent Seven Seas reporting unit. Trade names were \$500.5 million as of December 31, 2021. As of December 31, 2021, our annual impairment reviews support the carrying values of these assets.

#### **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 (Loss) 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 from March 2020 until July 2021, we did not have any Capacity Days during the suspension period. Accordingly, we have not presented herein per Capacity Day data for the years ended December 31, 2021 or 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 (Loss) and Adjusted EPS are non-GAAP financial measures that exclude certain amounts and are used to supplement GAAP net income (loss) and EPS. We use Adjusted Net Income (Loss) 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 during normal operations. 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 (Loss) and Adjusted EPS may not be indicative of future adjustments or results. For example, for the year ended December 31, 2020, we incurred \$1.6 billion related to impairment losses. We included this as an adjustment in the reconciliation of Adjusted Net Income (Loss) 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 impact of COVID-19, travel restrictions and limited access to ports around the world, in March 2020, the Company implemented a voluntary suspension of all cruise voyages across our three brands. In the third quarter of 2021, we began a phased relaunch of certain cruise voyages with ships initially operating at reduced occupancy levels.

Beginning in December 2021, the spread of the Omicron variant of COVID-19, with its increased transmissibility, caused several operational challenges and disruptions, including new travel restrictions and increased protocols in ports of call limiting port availability, which led to the cancellation of certain voyages in the fourth quarter of 2021 and first quarter of 2022, and the postponement of the restart of certain vessels. As of the date hereof, 16 of our 28 ships, or 70% of our Berth capacity, are operating with guests on board. This excludes a vessel which was paused from service beginning December 2021 due to the cancellation of its South Africa and related itineraries as a result of travel restrictions and other operational challenges due to the Omicron variant. We continue to execute on the phased relaunch plans for our 28-ship fleet. We expect to have approximately 85% of capacity operating by the end of the first quarter of 2022 with the full fleet expected to be back in operation during the early part of the second quarter of 2022. Refer to "Item 1A. Risk Factors" for further details regarding the uncertainties of returning to sailing at full fleet capacity, and "Item 1A. Risk Factors—If our phased restart of cruise operations does not resume as planned, we may not be in compliance with maintenance covenants in certain of our debt facilities" for details regarding the potential effect of delays on our debt covenants.

In connection with the expiration of the Temporary Extension and Modification of Framework for Conditional Sailing Order on January 15, 2022, the CDC announced that it would be implementing the COVID-19 Program for Cruise Ships Operating in U.S. Waters (the "Program"), a voluntary COVID-19 risk mitigation program for foreign-flagged cruise ships operating in U.S. waters. The CDC released details regarding the Program in February 2022, which we have reviewed. We currently remain opted into the Program. As part of our SailSAFE health and safety program, our SailSAFE Global Health and Wellness Council, chaired by former head of the U.S. Food and Drug Administration, Dr. Scott Gottlieb, continues to advise the Company on health and safety protocols in light of advancements in medicine and technology.

As a result of the unprecedented circumstances caused by the pandemic, we are not able to predict the full impact of the pandemic on our Company. Refer to “Item 1A. Risk Factors” for further details regarding the significant impact the COVID-19 pandemic has had, and is expected to continue to have, on our financial condition and operations.

### ***Modified Policies***

Our brands have launched cancellation policies for certain sailings booked during certain time periods to permit our guests to cancel cruises which were not part of a temporary suspension of voyages up to 15 days or 48 hours prior, depending on the brand, to embarkation and receive a refund in the form of a credit to be applied toward a future cruise. These programs were in place for cruises booked through specific time periods specified by brand. Certain cruises booked for certain periods, will be permitted a 60-day cancellation window for refunds. The future cruise credits issued under these programs are generally 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 most voyages on Regent Seven Seas Cruises through July 31, 2022, for certain voyages on Oceania Cruises through June 30, 2022 and for all voyages on Norwegian Cruise Line through April 30, 2022, which now requires payment 60 days prior to embarkation versus the standard 120 days.

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

Net booking volumes at the beginning of the fourth quarter of 2021 continued to demonstrate substantial week-over-week sequential growth after the slowdown in booking activity caused by the Delta variant of COVID-19. Net booking volumes in the latter part of the fourth quarter of 2021 began to be negatively impacted by the Omicron variant of COVID-19, primarily for close-in voyages in the first and second quarters of 2022. In recent weeks, as the Omicron wave subsided, net booking trends have improved sequentially. As a result, the Company’s current cumulative booked position for the first half of 2022 is below the strong levels of 2019 at higher prices even when including the dilutive impact of future cruise credits, while booked position for the second half, when the full fleet is expected to be back in operation, is in line with the comparable 2019 period and at higher prices, also including the impact of future cruise credits. Booked position for each quarter compared to the comparable quarter in 2019 improves sequentially through the year. Booking trends for 2023 demonstrate continued strong demand for sailings with booked position and pricing higher and at record levels when compared to bookings for 2020 in 2019. Our full fleet may not resume operations on our expected schedule 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.

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 expect to report a net loss until we are able to resume regular voyages. As a result of Omicron variant-related impacts to operations in the first quarter of 2022, we now expect net cash provided by operating activities to be positive during the second quarter of 2022. Refer to “Item 1A. Risk Factors” for further details regarding the significant impact the COVID-19 pandemic has had, and is expected to continue to have, on our financial condition and operations.

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

In 2021 and 2022, we continued to take actions to bolster our financial condition while our global cruise voyages are disrupted. We have taken the following additional actions to enhance our liquidity profile and financial flexibility:

- In March 2021, we received additional financing through various debt financings and an equity offering, collectively totaling \$2.7 billion in gross proceeds. From the proceeds, approximately \$1.5 billion was used to extinguish debt.

- In November 2021, we executed a \$1 billion commitment through August 15, 2022 that provides additional liquidity to the Company. The Company has not drawn and currently does not intend to draw under this commitment. If drawn, this commitment will convert into an unsecured note maturing in April 2024.
- In November 2021, we repurchased \$715.9 million aggregate principal amount of our 2024 Exchangeable Notes for approximately \$1.4 billion.
- In November 2021, NCLC issued \$1.15 billion aggregate principal amount of 1.125% exchangeable senior notes due 2027, which includes the full exercise of the initial purchasers' greenshoe option. The proceeds were used to repurchase a portion of our 2024 Exchangeable Notes.
- In November 2021, NCLH issued 46,858,854 ordinary shares to certain holders of the exchangeable senior notes due 2024 in a registered direct offering. The proceeds of such offering were used to redeem \$236.25 million aggregate principal amount of our 2024 Senior Secured Notes and \$262.50 million aggregate principal amount of our 2026 Senior Secured Notes, including any accrued but unpaid interest thereon, to pay related premiums, fees and expenses and for general corporate purposes, including the repurchase of a portion of our 2024 Exchangeable Notes.
- In addition, in February 2022, we received additional financing through various debt financings, collectively totaling \$2.1 billion in gross proceeds, all of which has been, or will be, used to redeem all of the outstanding 2024 Senior Secured Notes and 2026 Senior Secured Notes and to make principal payments on debt maturing in the short-term, including, in each case, to pay any accrued and unpaid interest thereon, as well as related premiums, fees and expenses.

Refer to Note 8 – “Long-Term Debt” for further details about the above transactions.

We undertook several proactive cost reduction and cash conservation measures to mitigate the financial and operational impacts of the COVID-19 pandemic, including the reduction of capital expenditures and deferral of debt amortization 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, which had already been implemented at the beginning of 2021, included 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, corporate travel freezes for shoreside employees, and employee furloughs. These cost savings initiatives have now been discontinued as we resume cruise voyages.

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

We have been experiencing some cost pressure in our supply chain due to inflation. In an attempt to mitigate risks related to inflation, our Supply Chain Department has negotiated contracts with varying terms, with a goal of providing us with the ability to take advantage of cost declines, and diversified our sourcing options.

### **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.

Total revenue decreased 49.4% to \$0.6 billion for the year ended December 31, 2021 compared to \$1.3 billion for the year ended December 31, 2020. Capacity Days decreased by 18.1%.

For the year ended December 31, 2021, we had net loss and diluted EPS of \$(4.5) billion and \$(12.33), respectively. For the year ended December 31, 2020, we had net loss and diluted EPS of \$(4.0) billion and \$(15.75), respectively. Operating loss decreased 26.7% to \$(2.6) billion for the year ended December 31, 2021 from \$(3.5) billion for the year ended December 31, 2020.

We had Adjusted Net Loss and Adjusted EPS of \$(2.9) billion and \$(8.07), respectively, for the year ended December 31, 2021, including \$1.6 billion of adjustments primarily consisting of losses on the extinguishment and modification of debt, compared to Adjusted Net Loss and Adjusted EPS of \$(2.2) billion and \$(8.64), respectively, for the year ended December 31, 2020. A 65.0% 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

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,		
	2021	2020	2019
Total revenue	\$ 647,986	\$ 1,279,908	\$ 6,462,376
Total cruise operating expense	\$ 1,608,037	\$ 1,693,061	\$ 3,663,261
Operating income (loss)	\$ (2,552,348)	\$ (3,484,135)	\$ 1,178,077
Net income (loss)	\$ (4,506,587)	\$ (4,012,514)	\$ 930,228
EPS:			
Basic	\$ (12.33)	\$ (15.75)	\$ 4.33
Diluted	\$ (12.33)	\$ (15.75)	\$ 4.30

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

	Year Ended December 31,		
	2021	2020	2019
<b>Revenue</b>			
Passenger ticket	60.6 %	67.7 %	69.9 %
Onboard and other	39.4 %	32.3 %	30.1 %
Total revenue	100.0 %	100.0 %	100.0 %
<b>Cruise operating expense</b>			
Commissions, transportation and other	22.2 %	29.7 %	17.4 %
Onboard and other	8.3 %	6.7 %	6.1 %
Payroll and related	82.9 %	40.7 %	14.3 %
Fuel	46.6 %	20.7 %	6.3 %
Food	9.7 %	5.1 %	3.4 %
Other	78.4 %	29.4 %	9.2 %
Total cruise operating expense	248.1 %	132.3 %	56.7 %
<b>Other operating expense</b>			
Marketing, general and administrative	137.6 %	58.2 %	15.1 %
Depreciation and amortization	108.2 %	56.1 %	10.0 %
Impairment loss	— %	125.6 %	— %
Total other operating expense	245.8 %	239.9 %	25.1 %
Operating income (loss)	(393.9)%	(272.2)%	18.2 %
<b>Non-operating income (expense)</b>			
Interest expense, net	(319.9)%	(37.7)%	(4.2)%
Other income (expense), net	19.1 %	(2.6)%	0.1 %
Total non-operating income (expense)	(300.8)%	(40.3)%	(4.1)%
<b>Net income (loss) before income taxes</b>	(694.7)%	(312.5)%	14.1 %
<b>Income tax benefit (expense)</b>	(0.8)%	(1.0)%	0.3 %
<b>Net income (loss)</b>	(695.5)%	(313.5)%	14.4 %

The following table sets forth selected statistical information:

	Year Ended December 31,		
	2021	2020	2019
Passengers carried	232,448	499,729	2,695,718
Passenger Cruise Days	1,778,899	4,278,602	20,637,949
Capacity Days	3,376,703	4,123,858	19,233,459
Occupancy Percentage	52.7 %	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):

	Year Ended December 31,				
	2021	2021 Constant Currency	2020	2020 Constant Currency	2019
Total cruise operating expense	\$ 1,608,037	\$ 1,601,030	\$ 1,693,061	\$ 1,696,364	\$ 3,663,261
Marketing, general and administrative expense	891,452	887,970	745,345	744,999	974,850
Gross Cruise Cost	2,499,489	2,489,000	2,438,406	2,441,363	4,638,111
Less:					
Commissions, transportation and other expense	143,524	143,186	380,710	382,132	1,120,886
Onboard and other expense	54,037	54,037	85,678	85,678	394,673
Net Cruise Cost	2,301,928	2,291,777	1,972,018	1,973,553	3,122,552
Less: Fuel expense	301,852	301,852	264,712	264,712	409,602
Net Cruise Cost Excluding Fuel	2,000,076	1,989,925	1,707,306	1,708,841	2,712,950
<b>Less Non-GAAP Adjustments:</b>					
Non-cash deferred compensation (1)	3,619	3,619	2,665	2,665	2,135
Non-cash share-based compensation (2)	124,077	124,077	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	\$ 1,872,380	\$ 1,862,229	\$ 1,593,344	\$ 1,594,879	\$ 2,602,195
Capacity Days	3,376,703	3,376,703	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 expenses 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):

	Year Ended December 31,		
	2021	2020	2019
Net income (loss)	\$ (4,506,587)	\$ (4,012,514)	\$ 930,228
<b>Non-GAAP Adjustments:</b>			
Non-cash deferred compensation (1)	4,012	3,967	3,514
Non-cash share-based compensation (2)	124,077	111,297	95,055
Severance payments and other fees (3)	—	—	6,514
Extinguishment and modification of debt (4)	1,428,813	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>\$ (2,949,685)</u>	<u>\$ (2,200,205)</u>	<u>\$ 1,101,030</u>
Diluted weighted-average shares outstanding - Net income (loss) and Adjusted Net Income (Loss)	<u>365,449,967</u>	<u>254,728,932</u>	<u>216,475,076</u>
Diluted loss per share	<u>\$ (12.33)</u>	<u>\$ (15.75)</u>	<u>\$ 4.30</u>
Adjusted EPS	<u>\$ (8.07)</u>	<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 primarily 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):

	Year Ended December 31,		
	2021	2020	2019
Net income (loss)	\$ (4,506,587)	\$ (4,012,514)	\$ 930,228
Interest expense, net	2,072,925	482,313	272,867
Income tax (benefit) expense	5,267	12,467	(18,863)
Depreciation and amortization expense	700,845	717,840	646,188
EBITDA	(1,727,550)	(2,799,894)	1,830,420
Other (income) expense, net (1)	(123,953)	33,599	(6,155)
<b>Non-GAAP Adjustments:</b>			
Non-cash deferred compensation (2)	3,619	2,665	2,135
Non-cash share-based compensation (3)	124,077	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>\$ (1,723,807)</u>	<u>\$ (1,044,536)</u>	<u>\$ 1,935,020</u>

- (1) In 2021 and 2020, primarily consists of gains and losses, net for forward currency exchanges and derivatives not 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 expenses 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, 2021 (“2021”) Compared to Year Ended December 31, 2020 (“2020”)**

##### ***Revenue***

Total revenue decreased 49.4% to \$0.6 billion in 2021 compared to \$1.3 billion in 2020. The adverse impact on revenue was due to the suspension of all cruise voyages in March 2020 through the first half of 2021 and the phased relaunch of certain cruise voyages with ships initially operating at reduced occupancy levels in the second half of 2021 as a result of the COVID-19 pandemic, which resulted in an 18.1% decrease in Capacity Days.

##### ***Expense***

Total cruise operating expense decreased 5.0% in 2021 compared to 2020. In 2021, our cruise operating expenses prior to the resumption of cruise voyages were primarily related to crew costs, including salaries, food and other travel costs; fuel; and other ongoing costs such as insurance and ship maintenance, including Dry-dock expenses. The reduction in cruise operating expense in 2021 reflects lower direct costs, such as commissions, in the second half of 2021 due to fewer Capacity Days partially offset by increases in expenses related to our return to service, such as costs related to crew and passenger testing for COVID-19. In 2020, our cruise operating expenses subsequent to the suspension of cruise voyages on March 13, 2020 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. Gross Cruise Cost increased 2.5% in 2021 compared to 2020, primarily related to the change in costs described above offset by an increase in marketing, general and administrative expenses primarily related to the discontinuation of cost-saving initiatives described under “Update Regarding COVID-19 Pandemic—Financing Transactions and Cost Containment Measures” as we return to service. Total other operating expense decreased 48.2% in 2021 compared to 2020 primarily due to the impairment of goodwill and trade names triggered by the COVID-19 pandemic in 2020. Depreciation and amortization expense decreased primarily due to a \$25.5 million impairment loss recognized in 2020.

Interest expense, net was \$2.1 billion in 2021 compared to \$482.3 million in 2020. The increase in 2021 primarily reflects losses on extinguishment of debt and debt modification costs of \$1.4 billion related to the repurchase of certain exchangeable notes as well as additional debt outstanding at higher interest rates, partially offset by lower LIBOR. 2020 included losses on extinguishment of debt and debt modification costs of \$27.8 million.

Other income (expense), net was income of \$124.0 million in 2021 compared to expense of \$33.6 million in 2020. Other income in 2021 was primarily due to gains from derivatives not designated as hedges and foreign currency exchange. 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.

Income tax benefit (expense) was an expense of \$5.3 million in 2021 compared to \$12.5 million in 2020. 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.

### **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, 2021, our liquidity was \$2.7 billion, consisting of cash and cash equivalents, short-term investments and a \$1 billion commitment available through August 15, 2022. Our primary ongoing liquidity requirements are to finance working capital, capital expenditures and debt service. As of December 31, 2021, we had a working capital deficit of \$0.4 billion. This deficit included \$1.6 billion of advance ticket sales, which represents the total revenue we collect in advance of sailing dates and accordingly are substantially more like deferred revenue balances rather than actual current cash liabilities. Our business model, along with our liquidity and undrawn export-credit backed facilities, allows us to operate with a working capital deficit and still meet our operating, investing and financing needs.

During 2021 and 2022, the Company completed various debt financings and equity offerings totaling \$7.0 billion in gross proceeds, of which \$5.5 billion was used, or will be used, to extinguish debt and make principal payments maturing in the short-term. The NCLH equity offerings in March and November 2021 resulted in 99,436,801 ordinary shares being issued, which does not include any ordinary shares that may be issued pursuant to our exchangeable notes. 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 due 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. In November 2021, the Company further amended the Senior Secured Credit Facility to provide that among other things, certain financial covenants shall be modified to provide that following the covenant relief period ending on December 31, 2022, (a) free liquidity shall be required to be greater than or equal to \$200,000,000 at any time, (b) the ratio of total net funded debt to total capitalization shall be required to be not greater than 0.86 to 1.00 on March 31, 2023, 0.85 to 1.00 on June 30, 2023 and 0.83 to 1.00 thereafter, and (c) the ratio of EBITDA to consolidated debt service shall be required to be greater than or equal to 1.25 to 1.00 unless free liquidity is greater than \$200,000,000. This amendment also included changes to certain baskets providing the ability to make certain investments and incur debt.

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. Additionally, in December 2021, our export-credit backed facilities were amended to provide for, among other things, the expiration of certain provisions upon repayment in full of certain amortization payments that are the subject of previous deferral arrangements and the modification of certain financial covenants to apply from January 1, 2023 until September 30, 2025, including the covenant to maintain at least \$200 million in free liquidity, which was previously imposed until December 31, 2022. The amendments also made certain additional changes, including the relaxation of certain restrictions on our ability to incur and repay or prepay debt, create security and make dividends and other distributions.

In July 2021, we amended nine credit facilities for our newbuild agreements and increased the combined commitments under such credit facilities by approximately \$770 million to cover owner’s supply (generally consisting of provisions for the ship), modifications and financing premiums.

In November 2021, the Company executed a \$1 billion commitment through August 15, 2022 that provides additional liquidity to the Company. The Company has not drawn and currently does not intend to draw under this commitment. If drawn, this commitment will convert into an unsecured note maturing in April 2024.

The Company's monthly average cash burn for the fourth quarter of 2021 was approximately \$345 million, slightly below the prior estimate of approximately \$350 million. Looking ahead, the Company expects the first quarter of 2022 monthly average cash burn to increase to approximately \$390 million driven by the continued phased relaunch of additional vessels. This cash burn rate does not include expected cash inflows from new and existing bookings or contribution from ships that have re-entered service.

Cash burn rates include ongoing ship operating expenses, administrative operating expenses, interest expense, taxes, debt deferral fees 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 of 2021 cash burn rate and first quarter of 2022 estimate reflect the previously agreed to deferral of debt amortization and newbuild related payments.

We continue to expect a gradual phased relaunch of our ships, with our ships initially operating at reduced occupancy levels as described in "Update Regarding COVID-19 Pandemic." Refer to "Item 1A. Risk Factors" for further details regarding the significant impact the COVID-19 pandemic has had, and is expected to continue to have, on our financial condition and operations. The estimation of our future cash flow projections includes numerous assumptions that are subject to various risks and uncertainties. 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 12 months. Nonetheless, we anticipate that we will need additional equity and/or debt financing to fund our operations in the future if we are unable to resume our cruise voyages on the schedule expected, and particularly if a substantial portion of our fleet continues to have suspended cruise voyages or operate at significantly reduced occupancy levels for a prolonged period. There is no assurance that cash flows from operations and additional financings will be available in the future to fund our future obligations. Beyond 12 months, we will pursue refinancings and other balance sheet optimization transactions from time to time in order to reduce interest rates and extend debt maturities. We expect to collaborate with financing institutions regarding these refinancing and optimization transactions as opportunities arise in the short-term to amend long-term arrangements.

We have received certain financial and other debt covenant waivers and added new free liquidity requirements. At December 31, 2021, taking into account such waivers, we were in compliance with all of our debt covenants. 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 would 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 other senior secured notes to B+ 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. We also have significant capacity to incur additional indebtedness under our debt agreements and may issue additional ordinary shares from time to time, subject to our authorized number of ordinary shares. However, 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, 2021, we had advance ticket sales of \$1.8 billion, including the long-term portion, which included approximately \$0.7 billion of future cruise credits. We also have agreements with our credit card processors that, as of December 31, 2021, governed approximately \$1.3 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, 2021, we had cash collateral reserves of approximately \$1.2 billion with credit card processors recognized in accounts receivable, net or other long-term assets. We may be required to pledge additional collateral and/or post additional cash reserves or take other actions that may reduce our liquidity.

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

***In this section, references to 2021 refer to the year ended December 31, 2021, 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 \$2.5 billion in 2021 compared to net cash used in operating activities of \$2.6 billion in 2020 and net cash provided by operating activities of \$1.8 billion in 2019. The net cash used in operating activities included net losses due to the suspension of global cruise voyages from March 2020 through July 2021 and timing differences in cash receipts and payments relating to operating assets and liabilities. The net cash used in operating activities in 2021 included net loss of \$(4.5) billion and a decrease of \$1.2 billion in cash from accounts receivable, which includes our collateral reserves with credit card processors, offset by an increase in advance ticket sales of \$521.9 million and loss on extinguishment of \$1.4 billion. The net cash used in operating activities in 2020 includes 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 net cash provided by operating activities in 2019 includes net income of \$0.9 billion 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 2021, primarily related to newbuild payments and ship improvement projects and net purchases and maturities of short-term investments. 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 \$1.7 billion in 2021, primarily due to \$2.6 billion in proceeds from the issuance of debt and \$2.7 billion in proceeds from issuance of NCLH's ordinary shares offset by \$2.1 billion of debt principal repayments and \$1.4 billion of early redemption premiums. 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.

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

Future capital commitments consist of contracted commitments, including ship construction contracts. Anticipated expenditures related to ship construction contracts are \$1.6 billion, \$2.5 billion and \$1.4 billion for the years ending December 31, 2022, 2023 and 2024, respectively. We have export-credit backed financing in place for the anticipated expenditures related to ship construction contracts of \$1.0 billion, \$2.0 billion and \$0.7 billion for the years ending December 31, 2022, 2023 and 2024, respectively. Anticipated non-newbuild capital expenditures are \$0.5 billion for the year ended December 31, 2022, which includes health and safety investments. Future expected capital expenditures will significantly increase our depreciation and amortization expense.

For the Norwegian brand, we have six Prima Class Ships on order, each ranging from approximately 140,000 to 156,300 Gross Tons with approximately 3,215 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 €7.7 billion, or \$8.8 billion based on the euro/U.S. dollar exchange rate as of December 31, 2021. We have obtained export-credit backed 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 year ended December 31, 2021, 2020 and 2019 was \$43.6 million, \$25.2 million, and \$32.9 million, respectively, primarily associated with the construction of our newbuild ships.

### **Material Cash Requirements**

As of December 31, 2021, our material cash requirements for debt and ship construction were as follows (in thousands):

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Thereafter</u>	<u>Total</u>
Long-term debt (1)	\$ 1,355,898	\$ 1,396,110	\$ 4,478,143	\$ 1,351,834	\$ 2,633,812	\$ 3,342,820	\$ 14,558,617
Ship construction contracts (2)	1,483,391	2,278,139	1,105,038	1,605,329	1,008,318	881,541	8,361,756
<b>Total</b>	<b>\$ 2,839,289</b>	<b>\$ 3,674,249</b>	<b>\$ 5,583,181</b>	<b>\$ 2,957,163</b>	<b>\$ 3,642,130</b>	<b>\$ 4,224,361</b>	<b>\$ 22,920,373</b>

- (1) Includes principal as well as estimated interest payments with LIBOR held constant as of December 31, 2021. Excludes the impact of any future possible refinancings and undrawn export-credit backed facilities. Subsequent to December 31, 2021, we received additional financing through various debt financings, collectively totaling \$2.1 billion in gross proceeds, all of which has been, or will be, used to redeem all of the outstanding 2024 Senior Secured Notes and 2026 Senior Secured Notes and to make principal payments on debt maturing in the short-term, including, in each case, to pay any accrued and unpaid interest thereon, as well as related premiums, fees and expenses. See Note 8 – “Long-Term Debt” for further information.
- (2) Ship construction contracts are for our newbuild ships based on the euro/U.S. dollar exchange rate as of December 31, 2020. As of December 31, 2021, we have committed undrawn export-credit backed facilities of \$7.8 billion which funds approximately 80% of our ship construction contracts.

For other operational commitments for lease and port obligations we refer you to Note 5 – “Leases” and Note 13 – “Commitments and Contingencies,” respectively, for further information.

### **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 are pledged as collateral for certain of our debt. We have received certain financial and other debt covenant waivers through December 31, 2022 and added new free liquidity requirements. We believe we were in compliance with these covenants as of December 31, 2021.

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 an impact on our ability to meet any cash obligations.

In light of the measures described under "Update Regarding COVID-19 Pandemic—Financing Transactions and Cost Containment Measures", we believe our cash on hand, short-term investments, the undrawn \$1 billion commitment, the expected return of a portion of the cash collateral from our credit card processors, 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 and modifications 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 and liquidity requirements.

## **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.

## **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, 2021, we had an interest rate swap to hedge our exposure to interest rate movements and to manage our interest expense. As of December 31, 2021, 72% of our debt was fixed and 28% was variable, which includes the effects of the interest rate swap. The notional amount of outstanding debt associated with the interest rate derivative agreements was \$0.2 billion as of December 31, 2021. 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. The change in our fixed rate percentage from December 31, 2020 to December 31, 2021 was primarily due to the maturity of interest rate swaps.

Based on our December 31, 2021 outstanding variable rate debt balance, a one percentage point increase in annual LIBOR interest rates would increase our annual interest expense by approximately \$35.6 million excluding the effects of capitalization of interest.

## **Foreign Currency Exchange Rate Risk**

As of December 31, 2021, 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 \$5.7 billion based on the euro/U.S. dollar exchange rate as of December 31, 2021. As of December 31, 2020, the payments not hedged aggregated €5.0 billion, or \$6.1 billion, based on the euro/U.S. dollar exchange rate as of December 31, 2020. The change from December 31, 2020 to December 31, 2021 included the addition of foreign currency hedges offset by the maturity of certain foreign currency hedges. We estimate that a 10% change in the euro as of December 31, 2021 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 18.8% for the year ended December 31, 2021 and 15.6% for the year ended December 31, 2020. We use fuel derivative agreements to mitigate the financial impact of fluctuations in fuel prices and as of December 31, 2021, excluding fuel swaps for transactions that are no longer probable of occurrence, we had hedged approximately 42% and 24% of our 2022 and 2023 projected metric tons of fuel purchases, respectively. As of December 31, 2020, we had hedged approximately 37% and 15% of our 2022 and 2023 projected metric tons of fuel purchases, respectively. Additional fuel swaps were executed between December 31, 2020 to December 31, 2021 to lower our fuel price risk.

We estimate that a 10% increase in our weighted-average fuel price would increase our anticipated 2022 fuel expense by \$63.3 million. This increase would be partially offset by an increase in the fair value of our fuel swap agreements of \$33.1 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 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, 2021. 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, 2021, 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, 2021.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2021 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, 2021 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.

### **Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

## 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, 2021 in connection with our 2022 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.nclhltinvestor.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.nclhltinvestor.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, 2021 in connection with our 2022 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, 2021 in connection with our 2022 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, 2021 in connection with our 2022 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, 2021 in connection with our 2022 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, 2021 are included on page 81.

#### (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

Exhibit Number	Description of Exhibit
3.1	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))
3.2	Memorandum of Increase of Share Capital of Norwegian Cruise Line Holdings Ltd. (incorporated herein by reference to Exhibit 3.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on May 21, 2021 (File No. 001-35784))
3.3	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))
4.1	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))
4.2	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, with respect to the 6.00% exchangeable senior notes due 2024 (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))
4.3	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, with respect to the 5.375% exchangeable senior notes due 2025 (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))
4.4	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, with respect to the 5.875% senior notes due 2026 (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))

- 4.5 Indenture, dated March 3, 2021, by and among NCL Finance, Ltd., as issuer, NCL Corporation Ltd., as guarantor, the other guarantors named therein and U.S. Bank National Association, as trustee, principal paying agent, transfer agent and registrar, with respect to the 6.125% senior notes due 2028 (incorporated herein by reference to Exhibit 4.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on March 3, 2021 (File No. 001-35784))
- 4.6 Indenture, dated November 19, 2021, by and among NCL Corporation Ltd., as issuer, Norwegian Cruise Line Holdings Ltd., as guarantor, and U.S. Bank National Association, as trustee, with respect to 1.125% exchangeable senior notes due 2027 (incorporated herein by reference to Exhibit 4.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on November 19, 2021 (File No. 001-35784))
- 4.7 Indenture, dated February 18, 2022, by and among NCL Corporation Ltd., as issuer, the guarantors party thereto and U.S. Bank Trust Company, National Association, as trustee, principal paying agent, transfer agent, registrar and security agent, with respect to 5.875% senior secured notes due 2027 (incorporated herein by reference to Exhibit 4.2 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 22, 2022 (File No. 001-35784))
- 4.8 Indenture, dated February 18, 2022, by and between NCL Corporation Ltd., as issuer, and U.S. Bank Trust Company, National Association, as trustee, principal paying agent, transfer agent and registrar, with respect to 7.750% senior unsecured notes due 2029 (incorporated herein by reference to Exhibit 4.3 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 22, 2022 (File No. 001-35784))
- 4.9 Indenture, dated February 15, 2022, by and among NCL Corporation Ltd., as issuer, Norwegian Cruise Line Holdings Ltd., as guarantor, and U.S. Bank Trust Company, National Association, as trustee, with respect to 2.50% exchangeable senior notes due 2027 (incorporated herein by reference to Exhibit 4.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 22, 2022 (File No. 001-35784))
- 4.10 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))
- 4.11\*\* 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\*\* Fourth Amendment Agreement, dated December 23, 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#†
- 10.2\*\* Fifth Amendment Agreement, dated December 23, 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#†
- 10.3\*\* Third Supplemental Agreement, dated December 23, 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#†

- 10.4\*\* Fourth Supplemental Agreement, dated December 23, 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#†
- 10.5 Amendment Agreement to Fifth Amended and Restated Credit Agreement, dated November 12, 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 and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, which amends the Fifth Amended and Restated Credit Agreement, dated May 8, 2020 (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on November 15, 2021 (File No. 001-35784))#†
- 10.6\*\* Fourth Supplemental Agreement, dated December 23, 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 #†
- 10.7\*\* Fifth Supplemental Agreement, dated December 23, 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#†
- 10.8 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))#†
- 10.9\*\* Supplemental Agreement, dated as of December 23, 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 the Amendment and Restatement Agreement, dated as of February 17, 2021#
- 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\*\* Supplemental Agreement, dated as of December 23, 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 the Amendment and Restatement Agreement, dated as of February 17, 2021#
- 10.12 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))#†

- 10.13\*\* Supplemental Agreement, dated as of December 23, 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 the Amendment and Restatement Agreement, dated as of February 17, 2021#
- 10.14 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))#†
- 10.15\*\* Supplemental Agreement, dated as of December 23, 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 the Amendment and Restatement Agreement, dated as of February 17, 2021#
- 10.16 Amendment and Restatement Agreement, dated as of June 17, 2021, but effective as of July 5, 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 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on August 9, 2021 (File No. 001-35784))#
- 10.17\*\* Supplemental Agreement, dated as of December 23, 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 the Amendment and Restatement Agreement, dated as of June 17, 2021#
- 10.18 Amendment and Restatement Agreement, dated as of June 17, 2021, but effective as of July 5, 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 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on August 9, 2021 (File No. 001-35784))#

- 10.19\*\* Supplemental Agreement, dated as of December 23, 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 the Amendment and Restatement Agreement, dated as of June 17, 2021#
- 10.20 Amendment and Restatement Agreement, dated as of June 17, 2021, but effective as of July 6, 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 10.3 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on August 9, 2021 (File No. 001-35784))#
- 10.21\*\* Supplemental Agreement, dated as of December 23, 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 the Amendment and Restatement Agreement, dated as of June 17, 2021#
- 10.22 Amendment and Restatement Agreement, dated as of June 17, 2021, but effective as of July 6, 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 10.4 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on August 9, 2021 (File No. 001-35784))#
- 10.23\*\* Supplemental Agreement, dated as of December 23, 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 the Amendment and Restatement Agreement, dated as of June 17, 2021#
- 10.24 Amendment and Restatement Agreement, dated as of June 17, 2021, but effective as of July 5, 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 10.5 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on August 9, 2021 (File No. 001-35784))#
- 10.25\*\* Supplemental Agreement, dated as of December 23, 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 the Amendment and Restatement Agreement, dated as of June 17, 2021#
- 10.26 Amendment and Restatement Agreement, dated as of June 17, 2021, but effective as of July 5, 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 10.6 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on August 9, 2021 (File No. 001-35784))#

- 10.27\*\* Supplemental Agreement, dated as of December 23, 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 the Amendment and Restatement Agreement, dated as of June 17, 2021#
- 10.28 Amendment and Restatement Agreement, dated as of June 17, 2021, but effective as of July 5, 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 10.7 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on August 9, 2021 (File No. 001-35784))#
- 10.29\*\* Supplemental Agreement, dated as of December 23, 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 the Amendment and Restatement Agreement, dated as of June 17, 2021#
- 10.30 Amendment and Restatement Agreement, dated as of June 17, 2021, but effective as of July 5, 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 10.8 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on August 9, 2021 (File No. 001-35784))#
- 10.31\*\* Supplemental Agreement, dated as of December 23, 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 the Amendment and Restatement Agreement, dated as of June 17, 2021#
- 10.32 Amendment and Restatement Agreement, dated as of June 17, 2021, but effective as of July 5, 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 10.9 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on August 9, 2021 (File No. 001-35784))#

- 10.33\*\* Supplemental Agreement, dated as of December 23, 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 the Amendment and Restatement Agreement, dated as of June 17, 2021#
- 10.34 Commitment Letter, dated as of November 1, 2021, among NCL Corporation Ltd. and the purchasers named therein (incorporated herein by reference to Exhibit 10.10 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on November 9, 2021 (File No. 001-35784))
- 10.35 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))
- 10.36 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-Q filed on May 10, 2017 (File No. 001-35784))\*
- 10.37 Amendment to Employment Agreement by and between NCL (Bahamas) Ltd. and T. Robin Lindsay, dated as of February 14, 2022 (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 18, 2022 (File No. 001-35784))\*
- 10.38 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))\*
- 10.39 Amendment to Employment Agreement by and between Prestige Cruise Services, LLC and Jason Montague, dated as of February 14, 2022 (incorporated herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 18, 2022 (File No. 001-35784))\*
- 10.40 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))\*
- 10.41 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))\*
- 10.42 Employment Agreement by and between Prestige Cruise Services, LLC and Howard Sherman, entered into on November 8, 2021 and effective as of January 1, 2022 (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on November 8, 2021 (File No. 001-35784))\*
- 10.43 Employment Agreement by and between NCL Corporation Ltd. and Harry Sommer, entered into on January 10, 2019 (incorporated herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on May 10, 2021 (File No. 001-35784))\*
- 10.44 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-Q filed on August 10, 2020 (File No. 001-35784))\*
- 10.45 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 21, 2021 (File No. 001-35784))\*

- 10.46 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))\*
- 10.47 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))\*
- 10.48\*\* Directors' Compensation Policy (effective January 1, 2022)\*
- 10.49 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))\*
- 10.50 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))\*
- 10.51 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))\*
- 10.52 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))\*
- 10.53 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))\*
- 10.54 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))\*
- 10.55 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))\*
- 10.56 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))\*
- 10.57\*\* Form of Norwegian Cruise Line Holdings Ltd. Time-based Restricted Share Unit Award Agreement (President and Chief Executive Officer 2022)\*
- 10.58\*\* Form of Norwegian Cruise Line Holdings Ltd. Performance-based Restricted Share Unit Award Agreement (President and Chief Executive Officer 2022)\*
- 10.59\*\* Form of Norwegian Cruise Line Holdings Ltd. Performance-based Restricted Share Unit Award Agreement (2022)\*
- 10.60\*\* Form of Restricted Cash Retention Agreement (2022)\*
- 21.1\*\* List of Subsidiaries of Norwegian Cruise Line Holdings Ltd.
- 23.1\*\* Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm
- 24.1\*\* Power of Attorney (included on Signatures page of this Annual Report on Form 10-K)
- 31.1\*\* Certification of the Annual Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the President and Chief Executive Officer

- 31.2\*\* 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
- 32.1\*\*\* 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
- 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, 2021, 2020 and 2019;
  - (ii) the Consolidated Statements of Comprehensive Income (Loss) of NCLH for the years ended December 31, 2021, 2020 and 2019;
  - (iii) the Consolidated Balance Sheets of NCLH as of December 31, 2021 and 2020;
  - (iv) the Consolidated Statements of Cash Flows of NCLH for the years ended December 31, 2021, 2020 and 2019;
  - (v) the Consolidated Statements of Changes in Shareholders' Equity of NCLH for the years ended December 31, 2021, 2020 and 2019;
  - (vi) the Notes to the Consolidated Financial Statements; and
  - (vii) Schedule II Valuation and Qualifying Accounts.
- 104\*\* The cover page from Norwegian Cruise Line Holdings Ltd.'s Annual Report on Form 10-K for the year ended December 31, 2021, formatted in Inline XBRL and included in the interactive data files submitted as Exhibit 101.

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# 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 March 1, 2022.

### NORWEGIAN CRUISE LINE HOLDINGS LTD.

By: /s/ Frank J. Del Rio

Name: **Frank J. Del Rio**

Title: **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)	March 1, 2022
<u>/s/ Mark A. Kempa</u> <b>Mark A. Kempa</b>	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 1, 2022
<u>/s/ Faye L. Ashby</u> <b>Faye L. Ashby</b>	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 1, 2022
<u>/s/ Adam M. Aron</u> <b>Adam M. Aron</b>	Director	March 1, 2022
<u>/s/ Harry C. Curtis</u> <b>Harry C. Curtis</b>	Director	March 1, 2022
<u>/s/ David M. Abrams</u> <b>David M. Abrams</b>	Director	March 1, 2022
<u>/s/ Stella David</u> <b>Stella David</b>	Director	March 1, 2022
<u>/s/ Russell W. Galbut</u> <b>Russell W. Galbut</b>	Director	March 1, 2022
<u>/s/ Mary E. Landry</u> <b>Mary E. Landry</b>	Director	March 1, 2022

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

<u>Description</u>	<u>Balance</u> <u>12/31/18</u>	<u>Additions</u>		<u>Deductions (a)</u>	<u>Balance</u> <u>12/31/19</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	\$ 41,924	\$ —	\$ —	\$ (36,077)	\$ 5,847

<u>Description</u>	<u>Balance</u> <u>12/31/19</u>	<u>Charged to</u> <u>costs and</u> <u>expenses</u>	<u>Charged to</u> <u>other</u> <u>accounts (b)</u>	<u>Deductions (a)</u>	<u>Balance</u> <u>12/31/20</u>

<u>Description</u>	<u>Balance</u> <u>12/31/20</u>	<u>Charged to</u> <u>costs and</u> <u>expenses</u>	<u>Charged to</u> <u>other</u> <u>accounts (b)</u>	<u>Deductions (a)</u>	<u>Balance</u> <u>12/31/21</u>

(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, 2021 and 2020, 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, 2021, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 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, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Change in Accounting Principle***

As discussed in Note 8 to the consolidated financial statements, the Company changed the manner in which it accounts for convertible instruments in 2021.

### ***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. 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 matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates 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 matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

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

As described in Note 2 to the consolidated financial statements, due to the impact of COVID-19, 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. Significant events affecting travel, including COVID-19, typically have an impact on demand for cruise vacations, with the full extent of the impact 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. In the third quarter of 2021, the Company began a phased relaunch of certain cruise voyages with the Company's ships initially operating at reduced occupancy levels. Beginning in December 2021, the spread of the Omicron variant of COVID-19, with its increased transmissibility, caused several operational challenges and disruptions, including new travel restrictions and increased protocols in ports of call limiting port availability, which led to the cancellation of certain voyages in the fourth quarter of 2021 and first quarter of 2022, and the postponement of the restart of cruises for certain vessels. The timing for returning ships to service, the level of occupancy on the Company's ships and the percentage of the Company's 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 more contagious and/or vaccine-resistant variants of COVID-19, the availability, distribution, rate of public acceptance and efficacy of vaccines and therapeutics for COVID-19, the Company's ability to comply with governmental regulations and implement new health and safety protocols, port availability, travel restrictions, bans and advisories and the Company's ability to re-staff certain ships. Management has taken actions to

improve the Company's liquidity, including completing various capital market transactions and making capital expenditure and operating expense reductions, and management expects to continue to pursue other opportunities to improve the Company's liquidity and to refinance the Company's debt to reduce interest expense and extend maturities. The estimation of management's future cash flow projections includes numerous assumptions that are subject to various risks and uncertainties. Management's principal assumptions for future cash flow projections include: (i) the expected gradual phased return to service at reduced occupancy levels, increasing over time until the Company reaches historical occupancy levels; (ii) the expected increase in revenue per passenger cruise day through a combination of both passenger ticket and onboard revenue; (iii) the forecasted cash collections in accordance with the terms of the Company's credit card processing agreements; and (iv) the expected incremental expenses for resumption of cruise voyages, including the maintenance of and compliance with additional health and safety protocols. Based on these actions and assumptions regarding the impact of COVID-19, and considering the Company's available liquidity of \$2.7 billion, including cash and cash equivalents, short-term investments and the Company's \$1 billion undrawn commitment as of December 31, 2021, management has concluded that the Company has sufficient liquidity to satisfy its obligations for at least the next twelve months from the issuance of the financial statements.

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 the estimate of future liquidity requirements; this in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's estimate of future liquidity requirements and assumptions related to (i) the expected gradual phased return to service at reduced occupancy levels; (ii) the expected increase in revenue per passenger cruise day through a combination of both passenger ticket and onboard revenue; (iii) the forecasted cash collections in accordance with the terms of the Company's credit card processing agreements; and (iv) the expected incremental expenses for resumption of cruise voyages, including the maintenance of and compliance with additional health and safety protocols.

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 estimate of future liquidity requirements. These procedures also included, among others (i) testing management's process for estimating future liquidity requirements for the twelve months after the date the financial statements are issued; (ii) testing the completeness and accuracy of underlying data used in the estimate; (iii) evaluating the reasonableness of the significant assumptions used by management related to the expected gradual phased return to service at reduced occupancy levels, the expected increase in revenue per passenger cruise day through a combination of both passenger ticket and onboard revenue, the forecasted cash collections in accordance with the terms of the Company's credit card processing agreements, and the expected incremental expenses for resumption of cruise voyages, including the maintenance of and compliance with additional health and safety protocols; and (iv) evaluating management's estimate of future liquidity requirements and their disclosure in the consolidated financial statements regarding having sufficient liquidity to satisfy the Company's obligations for the twelve months after the financial statements are issued. Evaluating management's assumptions related to the expected gradual phased return to service at reduced occupancy levels, the expected increase in revenue per passenger cruise day through a combination of both passenger ticket and onboard revenue, the forecasted cash collections in accordance with the terms of the Company's credit card processing agreements, and the expected incremental expenses for resumption of cruise voyages, including the maintenance of and compliance with additional health and safety protocols, involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the Company; (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.

/s/ PricewaterhouseCoopers LLP  
Hallandale Beach, Florida  
March 1, 2022

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

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

	Year Ended December 31,		
	2021	2020	2019
<b>Revenue</b>			
Passenger ticket	\$ 392,752	\$ 867,110	\$ 4,517,393
Onboard and other	255,234	412,798	1,944,983
Total revenue	<u>647,986</u>	<u>1,279,908</u>	<u>6,462,376</u>
<b>Cruise operating expense</b>			
Commissions, transportation and other	143,524	380,710	1,120,886
Onboard and other	54,037	85,678	394,673
Payroll and related	537,439	521,301	924,157
Fuel	301,852	264,712	409,602
Food	62,999	65,369	222,602
Other	508,186	375,291	591,341
Total cruise operating expense	<u>1,608,037</u>	<u>1,693,061</u>	<u>3,663,261</u>
<b>Other operating expense</b>			
Marketing, general and administrative	891,452	745,345	974,850
Depreciation and amortization	700,845	717,840	646,188
Impairment loss	—	1,607,797	—
Total other operating expense	<u>1,592,297</u>	<u>3,070,982</u>	<u>1,621,038</u>
Operating income (loss)	<u>(2,552,348)</u>	<u>(3,484,135)</u>	<u>1,178,077</u>
<b>Non-operating income (expense)</b>			
Interest expense, net	(2,072,925)	(482,313)	(272,867)
Other income (expense), net	123,953	(33,599)	6,155
Total non-operating income (expense)	<u>(1,948,972)</u>	<u>(515,912)</u>	<u>(266,712)</u>
<b>Net income (loss) before income taxes</b>	<u>(4,501,320)</u>	<u>(4,000,047)</u>	<u>911,365</u>
<b>Income tax benefit (expense)</b>	<u>(5,267)</u>	<u>(12,467)</u>	<u>18,863</u>
<b>Net income (loss)</b>	<u>\$ (4,506,587)</u>	<u>\$ (4,012,514)</u>	<u>\$ 930,228</u>
<b>Weighted-average shares outstanding</b>			
Basic	<u>365,449,967</u>	<u>254,728,932</u>	<u>214,929,977</u>
Diluted	<u>365,449,967</u>	<u>254,728,932</u>	<u>216,475,076</u>
<b>Earnings (loss) per share</b>			
Basic	<u>\$ (12.33)</u>	<u>\$ (15.75)</u>	<u>\$ 4.33</u>
Diluted	<u>\$ (12.33)</u>	<u>\$ (15.75)</u>	<u>\$ 4.30</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>2021</b>	<b>2020</b>	<b>2019</b>
Net income (loss)	<u>\$ (4,506,587)</u>	<u>\$ (4,012,514)</u>	<u>\$ 930,228</u>
Other comprehensive income (loss):			
Shipboard Retirement Plan	393	345	(1,930)
Cash flow hedges:			
Net unrealized loss	(110,379)	(51,642)	(123,015)
Amount realized and reclassified into earnings	65,017	106,670	(8,898)
Total other comprehensive income (loss)	<u>(44,969)</u>	<u>55,373</u>	<u>(133,843)</u>
Total comprehensive income (loss)	<u>\$ (4,551,556)</u>	<u>\$ (3,957,141)</u>	<u>\$ 796,385</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)

	December 31,	
	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,506,647	\$ 3,300,482
Short-term investments	240,000	—
Accounts receivable, net	1,167,473	20,578
Inventories	118,205	82,381
Prepaid expenses and other assets	269,243	154,103
Total current assets	3,301,568	3,557,544
Property and equipment, net	13,528,806	13,411,226
Goodwill	98,134	98,134
Trade names	500,525	500,525
Other long-term assets	1,300,804	831,888
Total assets	<u>\$ 18,729,837</u>	<u>\$ 18,399,317</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 876,890	\$ 124,885
Accounts payable	233,172	83,136
Accrued expenses and other liabilities	1,059,034	596,056
Advance ticket sales	1,561,336	1,109,826
Total current liabilities	3,730,432	1,913,903
Long-term debt	11,569,700	11,681,234
Other long-term liabilities	997,055	450,075
Total liabilities	<u>16,297,187</u>	<u>14,045,212</u>
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Ordinary shares, \$0.001 par value; 980,000,000 shares authorized and 416,891,915 shares issued and outstanding at December 31, 2021 and 490,000,000 shares authorized and 315,636,032 shares issued and outstanding at December 31, 2020	417	316
Additional paid-in capital	7,513,725	4,889,355
Accumulated other comprehensive income (loss)	(285,086)	(240,117)
Retained earnings (deficit)	(4,796,406)	(295,449)
Total shareholders' equity	<u>2,432,650</u>	<u>4,354,105</u>
Total liabilities and shareholders' equity	<u>\$ 18,729,837</u>	<u>\$ 18,399,317</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)**

	Year Ended December 31,		
	2021	2020	2019
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ (4,506,587)	\$ (4,012,514)	\$ 930,228
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	758,604	739,619	647,102
Impairment loss	—	1,607,797	—
Deferred income taxes, net	78	12,765	(26,134)
Gain on derivatives	(39,842)	(8,501)	—
Loss on extinguishment of debt	1,399,816	10,480	13,397
Provision for bad debts and inventory obsolescence	19,284	31,756	3,884
Gain on involuntary conversion of assets	(9,486)	(1,496)	(4,152)
Share-based compensation expense	124,077	111,297	95,055
Payment-in-kind interest premium	—	19,349	—
Net foreign currency adjustments	(9,865)	8,584	(1,934)
Changes in operating assets and liabilities:			
Accounts receivable, net	(1,159,998)	30,797	(14,104)
Inventories	(37,481)	10,555	(6,155)
Prepaid expenses and other assets	24,004	(89,528)	(74,295)
Accounts payable	152,026	(21,419)	(58,635)
Accrued expenses and other liabilities	295,451	(193,938)	(29,028)
Advance ticket sales	521,910	(811,846)	347,376
Net cash provided by (used in) operating activities	<u>(2,468,009)</u>	<u>(2,556,243)</u>	<u>1,822,605</u>
<b>Cash flows from investing activities</b>			
Additions to property and equipment, net	(752,843)	(946,545)	(1,637,170)
Purchases of short-term investments	(1,010,000)	—	—
Proceeds from maturities of short-term investments	770,000	—	—
Cash paid on settlement of derivatives	(23,496)	(31,520)	(47,085)
Other	12,295	2,703	4,063
Net cash used in investing activities	<u>(1,004,044)</u>	<u>(975,362)</u>	<u>(1,680,192)</u>
<b>Cash flows from financing activities</b>			
Repayments of long-term debt	(2,113,063)	(892,481)	(3,806,732)
Proceeds from long-term debt	2,601,317	6,075,090	4,122,297
Common share issuance proceeds, net	2,665,843	1,541,708	—
Proceeds from employee related plans	3,141	5,557	31,937
Net share settlement of restricted share units	(16,687)	(15,407)	(20,939)
Purchases of treasury shares	—	—	(349,860)
Early redemption premium	(1,354,882)	(1,376)	(6,829)
Deferred financing fees	(107,451)	(133,880)	(23,262)
Net cash provided by (used in) financing activities	<u>1,678,218</u>	<u>6,579,211</u>	<u>(53,388)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,793,835)</u>	<u>3,047,606</u>	<u>89,025</u>
Cash and cash equivalents at beginning of period	<u>3,300,482</u>	<u>252,876</u>	<u>163,851</u>
Cash and cash equivalents at end of period	<u>\$ 1,506,647</u>	<u>\$ 3,300,482</u>	<u>\$ 252,876</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, 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 loss, net	—	—	55,373	—	—	55,373
Net income	—	—	—	(4,012,514)	—	(4,012,514)
<b>Balance, December 31, 2020</b>	316	4,889,355	(240,117)	(295,449)	—	4,354,105
Share-based compensation	—	124,077	—	—	—	124,077
Issuance of shares under employee related plans	—	3,141	—	—	—	3,141
Common share issuance proceeds, net	101	2,665,434	—	—	—	2,665,535
Net share settlement of restricted share units	—	(16,687)	—	—	—	(16,687)
Cumulative change in accounting policy	—	(131,240)	—	5,630	—	(125,610)
Other	—	(20,355)	—	—	—	(20,355)
Other comprehensive income, net	—	—	(44,969)	—	—	(44,969)
Net loss	—	—	—	(4,506,587)	—	(4,506,587)
<b>Balance, December 31, 2021</b>	\$ 417	\$ 7,513,725	\$ (285,086)	\$ (4,796,406)	\$ —	\$ 2,432,650

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, 2021, 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 temporarily suspended all global cruise voyages from March 2020 until July 2021, when we resumed cruise voyages on a limited basis. We refer you to Note 2 – “Summary of Significant Accounting Policies” for further information.

We have six Prima Class Ships on order with expected delivery dates from 2022 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. The addition of these nine ships to our fleet will increase our total Berths to approximately 83,000, which includes additional Berths we plan to add to our Prima Class 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.

**2. Summary of Significant Accounting Policies**

**Liquidity and Management’s Plan**

Due to the impact of COVID-19, 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. Significant events affecting travel, including COVID-19, typically have an impact on demand for cruise vacations, with the full extent of the impact 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.

In the third quarter of 2021, we began a phased relaunch of certain cruise voyages with our ships initially operating at reduced occupancy levels. Beginning in December 2021, the spread of the Omicron variant of COVID-19, with its increased transmissibility, caused several operational challenges and disruptions, including new travel restrictions and increased protocols in ports of call limiting port availability, which led to the cancellation of certain voyages in the fourth quarter of 2021 and first quarter of 2022, and the postponement of the restart of cruises for certain vessels. Nonetheless, the Company continues to execute on the phased relaunch plans for its 28-ship fleet. As of March 1, 2022, 16 of our ships were operating with guests on board as part of our phased return to service. The Company expects to have approximately 85% of capacity operating by March 31, 2022 with the full fleet expected to be back in operation during the early part of the second quarter of 2022. The timing for returning ships to service, the level of occupancy on our ships 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 more contagious and/or vaccine-resistant variants of COVID-19, the availability, distribution, rate of public acceptance and efficacy of vaccines and therapeutics for COVID-19, our ability to comply with governmental regulations and implement new health and safety protocols, port availability, travel restrictions, bans and advisories and our ability to re-staff certain ships.

The estimation of our future cash flow projections includes numerous assumptions that are subject to various risks and uncertainties. Our principal assumptions for future cash flow projections include:

- Expected gradual phased return to service at reduced occupancy levels, increasing over time until we reach historical occupancy levels;
- Expected increase in revenue per passenger cruise day through a combination of both passenger ticket and onboard revenue as compared to 2019;

- Forecasted cash collections 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.

We cannot make assurances that our assumptions used to estimate our liquidity requirements will not change due to the unique and ongoing unpredictable nature of the pandemic, including its magnitude and duration. Accordingly, the full effect of the COVID-19 pandemic 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 until we are able to resume regular voyages. We have taken actions to improve our liquidity, including completing various capital market transactions and making capital expenditure and operating expense reductions, and we expect to continue to pursue other opportunities to improve our liquidity and to refinance our debt to reduce interest expense and extend maturities.

Based on these actions and assumptions regarding the impact of COVID-19, and considering our available liquidity of \$2.7 billion, including cash and cash equivalents, short-term investments and our \$1 billion undrawn commitment as of December 31, 2021, we have concluded that we have sufficient liquidity to satisfy our obligations for at least the next twelve months.

### **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.

### **Short-term Investments**

Short-term investments include time deposits with original maturities of greater than three months and up to 12 months, which are stated at cost and present insignificant risk of changes in value.

### **Accounts Receivable, Net**

Accounts receivable are shown net of an allowance for credit losses of \$28.7 million and \$35.4 million as of December 31, 2021 and 2020, respectively. Accounts receivable, net includes \$1.1 billion due from credit card processors as of December 31, 2021, which is expected to be collected within the next 12 months.

### **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. Expenses related to advertising costs totaled \$300.3 million, \$216.5 million and \$400.6 million for the years ended December 31, 2021, 2020 and 2019, 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,		
	2021	2020	2019
Net income (loss)	\$ (4,506,587)	\$ (4,012,514)	\$ 930,228
Basic weighted-average shares outstanding	365,449,967	254,728,932	214,929,977
Dilutive effect of share awards	—	—	1,545,099
Diluted weighted-average shares outstanding	365,449,967	254,728,932	216,475,076
Basic earnings (loss) per share	\$ (12.33)	\$ (15.75)	\$ 4.33
Diluted earnings (loss) per share	\$ (12.33)	\$ (15.75)	\$ 4.30

For the years ended December 31, 2021, 2020 and 2019, a total of 102.1 million, 80.0 million and 4.0 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:

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

Long-lived assets are reviewed for impairment, based on estimated future undiscounted cash flows, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets are grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. 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 qualitative assessment 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).

If the result of the qualitative assessment indicated it is more likely than not that the estimated fair value of the asset is less than its carrying value, we would conduct a quantitative assessment comparing the fair value to its carrying value.

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.

For our annual impairment evaluation, we performed a qualitative assessment for the Regent Seven Seas reporting unit and of each brand's trade names. As part of our analysis, we performed an assessment of the key assumptions impacting the quantitative tests performed in 2020 and performed sensitivities on cash flow projections, discount rates and royalty rates. As of December 31, 2021, our annual review supports the carrying value of these assets.

## 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,		
	2021	2020	2019
North America	\$ 424,377	\$ 960,258	\$ 3,807,576
Europe	211,767	27,602	1,666,751
Asia-Pacific	6,186	152,976	500,842
Other	5,656	139,072	487,207
Total revenue	<u>\$ 647,986</u>	<u>\$ 1,279,908</u>	<u>\$ 6,462,376</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 87%, 83% and 81% for the years ended December 31, 2021, 2020 and 2019, 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 \$9.7 billion as of December 31, 2021 and \$9.9 billion as of December 31, 2020. We had eight ships with Marshall Island registry with a carrying value of \$2.3 billion as of December 31, 2021 and \$2.4 billion as of December 31, 2020. We also had one ship with U.S. registry with a carrying value of \$0.3 billion as of December 31, 2021 and 2020.

## 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. As of December 31, 2020, we had recognized a \$19.3 million premium for payment-in-kind interest. As a result of the extinguishment of the related notes, we derecognized the amounts recorded as additional paid-in capital in 2021.

## **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 gain of \$20.6 million, a loss of \$15.9 million and a loss of \$7.0 million for the years ended December 31, 2021, 2020 and 2019, 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 undrawn commitment 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 March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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. As of December 31, 2021, we have not adopted any expedients and exceptions under ASU 2020-04. We will continue to evaluate 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 most voyages on Regent Seven Seas Cruises through July 31, 2022, for certain voyages on Oceania Cruises through June 30, 2022 and for all voyages on Norwegian Cruise Line through April 30, 2022, 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 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 or 48 hours prior to departure depending on the brand. 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**

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, 2021, our contract liabilities were \$161.8 million. Of the amounts included within advance ticket sales, the vast majority of deposits held were 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, 2020, our contract liabilities were \$23.1 million. Approximately \$2.2 million of the December 31, 2020 contract liability balance has been recognized in revenue for the year ended December 31, 2021. The revenue recognized in the years ended December 31, 2020 and 2019 that was included in contract liabilities as of the beginning of each respective period was \$0.9 billion and \$1.2 billion, respectively.

Our cruise voyages were completely suspended from March 2020 until July 2021 due to the COVID-19 pandemic and our resumption of cruise voyages will be phased in gradually as described under "—Liquidity and Management's Plan" above. As a result of our return to service, there has been an increase in the contract liability balance as of December 31, 2021.

### **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 \$97.8 million and \$41.3 million as of December 31, 2021 and 2020, respectively. Costs to fulfill contracts with customers were \$17.4 million and \$5.5 million as of December 31, 2021 and 2020, 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 \$36.3 million and \$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, 2021 and 2020, respectively.

#### 4. Goodwill and Trade Names

Goodwill and trade names are not subject to amortization. As of December 31, 2021 and 2020, the carrying values were \$98.1 million for goodwill and \$500.5 million for trade names. 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. The changes in the carrying amount of goodwill for each reporting unit are as follows (in thousands):

	Norwegian Cruise Line	Oceania Cruises	Regent Seven Seas Cruises	Total Goodwill
Accumulated impairment loss	\$ (403,805)	\$ (523,026)	\$ (363,966)	\$ (1,290,797)
<b>Balance, December 31, 2020</b>	—	—	98,134	98,134
Impairment loss	—	—	—	—
<b>Balance, December 31, 2021</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 98,134</u>	<u>\$ 98,134</u>

For the year ended December 31, 2020, 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.

#### 5. Leases

##### Nature of Leases

We have finance leases for certain ship equipment and a corporate office. We have operating leases primarily for port facilities and also 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 were as follows (in thousands):

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating lease expense	\$ 17,534	\$ 19,406	\$ 31,596
Variable lease expense	12,414	9,705	14,284
Short-term lease expense	6,421	11,076	50,832
Finance lease cost:			
Amortization of right-of-use assets	1,428	1,924	1,765
Interest on lease liabilities	793	1,072	1,239

Lease balances were as follows (in thousands):

	<u>Balance Sheet location</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<b>Operating leases</b>			
Right-of-use assets	Other long-term assets	\$ 794,187	\$ 209,037
Current operating lease liabilities	Accrued expenses and other liabilities	34,407	17,700
Non-current operating lease liabilities	Other long-term liabilities	670,688	185,414
<b>Finance leases</b>			
Right-of-use assets	Property and equipment, net	9,820	11,948
Current finance lease liabilities	Current portion of long-term debt	3,866	5,143
Non-current finance lease liabilities	Long-term debt	1,847	4,648

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

	<u>Year Ended December 31, 2021</u>	<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	\$ 31,385	\$ 70,555	\$ 75,539
Operating cash outflows from finance leases	579	898	1,051
Financing cash outflows from finance leases	4,315	4,078	2,826
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	506,761	823	24,834
Finance leases	265	—	705

The right-of-use assets obtained in exchange for lease obligations for the year ended December 31, 2021 was primarily for port facilities.

Other supplemental information related to leases was as follows:

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>
Weighted average remaining lease term (years) - operating leases	24.28	7.36	8.30
Weighted average remaining lease term (years) - finance leases	2.37	2.89	3.65
Weighted average discount rate - operating leases	5.41 %	3.96 %	3.76 %
Weighted average discount rate - finance leases	7.36 %	7.75 %	7.47 %

As of December 31, 2021, maturities of lease liabilities were as follows (in thousands):

	Operating leases	Finance leases
2022	\$ 46,179	\$ 4,096
2023	61,675	753
2024	65,727	630
2025	66,773	544
2026	66,226	38
Thereafter	1,031,088	—
Total	1,337,668	6,061
Less: Present value discount	(632,573)	(348)
Present value of lease liabilities	<u>\$ 705,095</u>	<u>\$ 5,713</u>

### Sales-Type Lease

We have one sales-type lease for constructed land-based transportation equipment and infrastructure. The term of the lease is 20 years. At the end of the lease term, the assets shall be conveyed to the lessee. As of December 31, 2021, the lease receivable is \$43.5 million and is recognized within accounts receivable, net and other long-term assets. The maturities of the lease receivable as of December 31, 2021 were as follows (in thousands):

	Sales-type lease
2022	\$ 3,916
2023	4,563
2024	4,682
2025	4,799
2026	2,947
Thereafter	22,595
Total	<u>\$ 43,502</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 estimated our incremental borrowing rate to determine the net present value of the lease payments at the commencement date. Our incremental borrowing rate was estimated

based on the rate we would have obtained if we had borrowed collateralized debt over the lease term to purchase the asset.

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. During the contingency period, we recognized lease expense for these port facilities as incurred.

## 6. Accumulated Other Comprehensive Income (Loss)

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

	Year Ended December 31, 2021		
	Accumulated Other Comprehensive Income (Loss)	Change Related to Cash Flow Hedges	Change Related to Shipboard Retirement Plan
Accumulated other comprehensive income (loss) at beginning of period	\$ (240,117)	\$ (234,334)	\$ (5,783)
Current period other comprehensive loss before reclassifications	(110,379)	(110,379)	—
Amounts reclassified into earnings	65,410	65,017 (1)	393 (2)
Accumulated other comprehensive income (loss) at end of period	<u>\$ (285,086)</u>	<u>\$ (279,696)(3)</u>	<u>\$ (5,390)</u>
	Year Ended December 31, 2020		
	Accumulated Other Comprehensive Income (Loss)	Change Related to Cash Flow Hedges	Change Related to Shipboard Retirement Plan
Accumulated other comprehensive income (loss) at beginning of period	\$ (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)</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>

(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 \$18.3 million of gain 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):

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Ships	\$ 14,488,539	\$ 14,528,133
Ship improvements	2,444,910	2,109,015
Ships under construction	833,973	376,062
Land and land improvements	58,370	58,370
Other	767,819	765,739
	<u>18,593,611</u>	<u>17,837,319</u>
Less: accumulated depreciation	<u>(5,064,805)</u>	<u>(4,426,093)</u>
Property and equipment, net	<u>\$ 13,528,806</u>	<u>\$ 13,411,226</u>

The Company capitalized approximately \$348.0 million of costs associated with ship improvements during the year ended December 31, 2021. Depreciation expense for the years ended December 31, 2021, 2020 and 2019 was \$690.0 million, \$707.9 million and \$627.7 million, respectively. Repairs and maintenance expenses including Dry-dock expenses were \$199.7 million, \$129.9 million and \$199.7 million for the years ended December 31, 2021, 2020 and 2019, 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 \$43.6 million, \$25.2 million and \$32.9 million for the years ended December 31, 2021, 2020 and 2019, respectively.

## 8. Long-Term Debt

Long-term debt consisted of the following:

	Interest Rate December 31,		Maturities Through	Balance December 31,	
	2021	2020		2021	2020
	(in thousands)				
\$875.0 million senior secured Revolving Loan Facility	2.10 %	1.90 %	2024	\$ 875,000	\$ 875,000
Term Loan A Facility	2.07 %	1.93 %	2024	1,508,025	1,536,417
\$400.0 million L. Catterton exchangeable notes (1)	—	7.00 %	2026	—	278,148
\$862.5 million 6.000% exchangeable notes	6.00 %	6.00 %	2024	143,193	834,941
\$450.0 million 5.375% exchangeable notes	5.38 %	5.38 %	2025	441,475	439,390
\$1,150.0 million 1.125% exchangeable notes	1.13 %	—	2027	1,121,052	—
\$675.0 million 12.25% senior secured notes (2)	12.25 %	12.25 %	2024	427,164	650,178
\$750.0 million 10.25% senior secured notes	10.25 %	10.25 %	2026	481,834	739,295
\$525.0 million 6.125% senior unsecured notes	6.13 %	—	2028	518,229	—
\$850.0 million 5.875% senior unsecured notes	5.88 %	5.88 %	2026	1,409,336	837,659
\$565.0 million 3.625% senior unsecured notes	3.63 %	3.63 %	2024	561,248	560,019
\$260 million Norwegian Jewel term loan	—	1.52 %	2022	—	221,718
\$230 million Pride of America term loan	—	1.15 %	2022	—	229,558
€529.8 million Breakaway one loan (3)	1.12 %	1.15 %	2026	308,585	307,529
€529.8 million Breakaway two loan (3)	3.47 %	3.90 %	2027	344,436	343,214
€590.5 million Breakaway three loan (3)	2.65 %	2.83 %	2027	483,109	481,085
€729.9 million Breakaway four loan (3)	2.71 %	2.85 %	2029	636,868	633,699
€710.8 million Seahawk 1 term loan (3)	3.44 %	3.69 %	2030	699,131	695,843
€748.7 million Seahawk 2 term loan (3)	3.50 %	3.71 %	2031	863,891	860,212
Leonardo newbuild one loan	2.68 %	2.68 %	2034	256,179	95,563
Leonardo newbuild two loan	2.77 %	2.77 %	2035	193,455	48,009
Leonardo newbuild three loan	1.22 %	1.22 %	2036	43,298	46,519
Leonardo newbuild four loan	1.31 %	1.31 %	2037	43,298	46,519
Splendor newbuild loan	2.88 %	2.97 %	2032	405,937	402,177
Explorer newbuild loan	3.40 %	3.39 %	2028	254,548	251,634
Marina newbuild loan	1.07 %	1.03 %	2027	134,737	134,821
Riviera newbuild loan	1.01 %	0.96 %	2026	202,888	203,038
Term loan - newbuild related	4.50 %	2.50 %	2022	68,220	26,387
Finance lease and license obligations	Various	Various	2028	21,454	27,547
Total debt				12,446,590	11,806,119
Less: current portion of long-term debt				(876,890)	(124,885)
Total long-term debt				<u>\$ 11,569,700</u>	<u>\$ 11,681,234</u>

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

(2) Includes an original issue discount of \$2.9 million and \$5.9 million as of December 31, 2021 and 2020, respectively.

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

### Credit Facilities

In January 2021, NCLC entered into an amendment agreement (the “First Amendment”), which amends the Amended and Restated Credit Agreement, dated as of May 8, 2020 (the “Fifth ARCA” and, 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 tranche of loans held by certain lenders (the “Fifth ARCA Deferring

Lenders”) on which amortization payments due within the first year after effectiveness of the Fifth ARCA were deferred (the “Deferred Term Loan A”) of First Amendment Deferring Lenders were converted into Deferred Term Loan A-1 loans. The class of loans constituting the Term Loan A Facility (other than the Deferred Term Loan A) held by the Fifth ARCA Deferring Lenders (the “Term Loan A-1”) and the class of loans constituting the portion of the Term Loan A Facility that is held by lenders other than the Fifth ARCA Deferring Lenders (the “Legacy Term Loan A”) 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 to approximately \$70 million prior to June 30, 2022.

The First Amendment also 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.

Additionally, 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.

In April 2021, an agreement was executed to defer certain newbuild related debt amortization to July 2022. The aggregate amount of debt amortization that was deferred was €31.2 million, or \$35.5 million based on the euro/U.S. dollar exchange rate as of December 31, 2021. The interest rate on the newbuild related debt was increased to 4.5% per annum.

The amendments of the agreements described above resulted in aggregate modification expenses of \$52.1 million for the year ended December 31, 2021, which is recognized in interest expense, net.

In May 2021, NCLC entered into a €28.8 million loan facility for newbuild related payments. The facility matures on July 1, 2022.

In July 2021, we amended nine credit facilities for our newbuild agreements and increased the combined commitments under such credit facilities by approximately \$770 million to cover owner's supply (generally consisting of provisions for the ship), modifications and financing premiums. Subsequently, in September 2021, excess commitments totaling approximately \$230 million were cancelled under two of the credit facilities as a result of hedging euro below the rate used to determine the maximum commitments in U.S. dollars.

In November 2021, the Senior Secured Credit Facility was amended to provide that certain financial covenants shall be modified to provide that following the covenant relief period ending on December 31, 2022 free liquidity shall be required to be greater than or equal to \$200,000,000 at any time among other modifications. This amendment also included changes to certain baskets providing the ability to make certain investments and incur debt.

In December 2021, all of NCLC's export-credit backed facilities were amended to provide the expiration of certain provisions upon repayment in full of certain amortization payments were previously deferred and the modification of certain financial covenants to apply from January 1, 2023 until September 30, 2025, including the covenant to maintain at least \$200 million in free liquidity, which was previously imposed until December 31, 2022. The amended facilities also included the relaxation of certain restrictions on our ability to incur and repay or prepay debt, create security and make dividends and other distributions.

## **Unsecured Notes**

In December 2020, NCLC conducted a private offering of \$850.0 million aggregate principal amount of 5.875% senior unsecured notes due March 15, 2026 (the "2026 Senior Unsecured Notes"). In March 2021, NCLC completed an add-on offering of \$575.0 million aggregate principal amount of additional 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, 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 proceeds from the March 2021 issuance were used to repay the \$230.0 million Pride of America Credit Facility and the remaining \$222.6 million of the Jewel Credit Facility.

In March 2021, NCL Finance, Ltd., an indirect, wholly-owned subsidiary of NCLH and NCLC, additionally conducted a private offering of \$525.0 million aggregate principal amount of 6.125% senior unsecured notes due March 15, 2028 (the “2028 Senior Unsecured Notes”). The 2028 Senior Unsecured Notes pay interest at 6.125% per annum, semiannually on March 15 and September 15 of each year, to holders of record at the close of business on the immediately preceding March 1 and September 1, respectively. NCL Finance may redeem the 2028 Senior Unsecured Notes, in whole or part, at any time prior to December 15, 2027, 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.” NCL Finance may redeem the 2028 Senior Unsecured Notes, in whole or in part, on or after December 15, 2027, 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 March 15, 2024, NCL Finance may choose to redeem up to 40% of the aggregate principal amount of the 2028 Senior Unsecured Notes with the net proceeds of certain equity offerings, subject to certain restrictions, at a redemption price equal to 106.125% of the principal amount of the 2028 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 2028 Senior Unsecured Notes issued remains outstanding following such redemption.

The indentures governing the 2026 Senior Unsecured Notes and 2028 Senior Unsecured 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.

In November 2021, the Company executed a \$1 billion commitment through August 15, 2022 that provides additional liquidity to the Company. If drawn, this commitment will convert into an unsecured note paying interest at 8.0% per annum, semiannually, and maturing in April 2024. The Company has not drawn under this commitment.

### **Exchangeable Notes**

In August 2020, the 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. Each of the 2024 Exchangeable Notes, 2025 Exchangeable Notes, and Private Exchangeable Notes (as defined below) contain or contained conversion options that may be settled with NCLH’s ordinary shares. As the options will be both indexed to and settled in our ordinary shares, they are not accounted for separately as derivatives. The Private Exchangeable Notes contained a beneficial conversion feature, which was recognized within additional paid-in capital with an offsetting discount to the carrying amount of the debt. The discount was amortized to interest expense through December 31, 2020. On January 1, 2021, we early adopted ASU 2020-06 using a modified retrospective approach. As a result, the \$131.2 million beneficial conversion feature previously recognized was reclassified from additional paid-in capital to long-term debt, and the discount amortization of \$5.6 million was adjusted through retained earnings (deficit).

As of December 31, 2021, NCLC had outstanding \$146.6 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. As further described below, in November 2021, we received additional financing through a debt financing and an equity offering, which was used, in part, to extinguish \$715.9 in principal amount of 2024 Exchangeable Notes.

As of December 31, 2021, NCLC also had outstanding \$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.

As of December 31, 2020, NCLC also had outstanding \$414.3 million aggregate principal amount of exchangeable senior notes due June 1, 2026 (the “Private Exchangeable Notes”), which amount included interest that had accreted to the principal amount, which were held by an affiliate of L Catterton (the “Private Investor”). The Private Exchangeable Notes accrued interest at a rate of 7.0% per annum for the first year post-issuance (which accreted to the principal amount). Holders were able to exchange their Private Exchangeable Notes at their option into redeemable preference shares of NCLC. Upon exchange, the preference shares would 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 was initially 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 was 90.9090 and reflected 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.

In March 2021, NCLH completed an equity offering that resulted in 52,577,947 ordinary shares being issued for gross proceeds of \$1.6 billion. Approximately \$1.0 billion of the cash proceeds from the offering were used to repurchase the Private Exchangeable Notes and extinguish the debt. The resulting loss on extinguishment, which is recognized in interest expense, net, was \$0.6 billion for the year ended December 31, 2021.

In November 2021, NCLC issued \$1,150.0 million aggregate principal amount of 1.125% exchangeable senior notes due February 15, 2027 (the “2027 Exchangeable Notes”). The 2027 Exchangeable Notes are guaranteed by NCLH on a senior basis. Holders may exchange their 2027 Exchangeable Notes at their option into redeemable preference shares of NCLC or cash, at the election of NCLC, at any time prior to the close of business on the business day immediately preceding August 15, 2026, subject to the satisfaction of certain conditions and during certain periods, and on or after August 15, 2026 until the close of business on the business day immediately preceding the maturity date, regardless of whether such conditions have been met. Upon exchange, the preference shares will be immediately and automatically exchanged, for each \$1,000 principal amount of exchanged 2027 Exchangeable Notes, into a number of NCLH’s ordinary shares based on the exchange rate. The initial exchange rate is 29.6850 ordinary shares per \$1,000 principal amount of 2027 Exchangeable Notes (equivalent to an initial exchange price of approximately \$33.69 per ordinary share). The maximum exchange rate is 42.3012 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 2027 Exchangeable Notes pay interest at 1.125% per annum, semiannually on February 15 and August 15 of each year, to holders of record at the close of business on the immediately preceding February 1 and August 1, respectively.

Additionally, in November 2021, NCLH completed an equity offering of 46,858,854 ordinary shares to certain holders of the 2024 Exchangeable Notes for gross proceeds of \$1.1 billion. The proceeds from the offering of the 2027 Exchangeable Notes along with a portion of the proceeds from the equity offering were used to repurchase \$715.9

million of the 2024 Exchangeable Notes for \$1.4 billion. The resulting loss on extinguishment, which is recognized in interest expense, net, was \$0.7 billion for the year ended December 31, 2021.

The following is a summary of NCLC's exchangeable notes as of December 31, 2021 (in thousands):

	Principal Amount	Unamortized Deferred Financing Fees	Net Carrying Amount	Fair Value	
				Amount	Leveling
2024 Exchangeable Notes	\$ 146,601	\$ (3,408)	\$ 143,193	\$ 249,358	Level 2
2025 Exchangeable Notes	450,000	(8,525)	441,475	642,591	Level 2
2027 Exchangeable Notes	1,150,000	(28,948)	1,121,052	1,088,510	Level 2

The remaining period over which the unamortized deferred financing fees will be recognized as non-cash interest expense is 2.4 years, 3.6 years and 5.1 years for the 2024 Exchangeable Notes, 2025 Exchangeable Notes and 2027 Exchangeable Notes, respectively.

The following is a summary of the liability component of NCLC's exchangeable notes as of December 31, 2020 (in thousands):

	Principal Amount	Unamortized Debt Discount, including Deferred Financing Fees	Net Carrying Amount	Fair Value	
				Amount	Leveling
2024 Exchangeable Notes	\$ 862,500	\$ (27,559)	\$ 834,941	\$ 1,812,975	Level 2
2025 Exchangeable Notes	450,000	(10,609)	439,391	772,412	Level 2
Private Exchangeable Notes	414,311	(136,163)	278,148	1,098,082	Level 2

In addition, as of December 31, 2020, we had recognized a \$19.3 million premium for payment-in-kind interest as additional paid-in capital for the Private Exchangeable Notes. As a result of the extinguishment of the Private Exchangeable Notes, we derecognized the amounts recorded as additional paid-in capital during the year ended December 31, 2021.

The following provides a summary of the interest expense recognized related to the exchangeable notes (in thousands):

	Year Ended December 31, 2021
Coupon interest	77,591
Amortization of deferred financing fees	10,360
Total	\$ 87,951

Prior to the adoption of ASU 2020-06, interest expense, including amortization of debt discounts and coupon interest, recognized related to the convertible debt instruments was \$93.2 million for the year ended December 31, 2020.

The effective interest rate is 7.07%, 5.97% and 1.63% for the 2024 Exchangeable Notes, 2025 Exchangeable Notes and 2027 Exchangeable Notes, respectively.

As of December 31, 2020, the if-converted value above par was \$74.5 million on available shares of 10.7 million and \$47.8 million on available shares of 24.0 million for the 2024 Exchangeable Notes and 2025 Exchangeable Notes, respectively.

## Secured Notes

The Company used a portion of the proceeds from the November 2021 equity offering to redeem \$236.25 million aggregate principal amount of 2024 Senior Secured Notes and \$262.50 million aggregate principal amount of 2026 Senior Secured Notes, including any accrued but unpaid interest thereon and related premiums, fees and expenses. The resulting loss on extinguishment, which is recognized in interest expense, net, was \$0.1 billion for the year ended December 31, 2021.

## 2022 Transactions

In February 2022, NCLC conducted a private offering (the “Notes Offering”) of \$1,000 million in aggregate principal amount of 5.875% senior secured notes due 2027 (the “2027 Secured Notes”) and \$600 million in aggregate principal amount of 7.750% senior notes due 2029 (the “2029 Unsecured Notes”).

The 2027 Secured Notes are jointly and severally guaranteed on a senior secured basis by Pride of Hawaii, LLC, Norwegian Epic, Ltd. and Sirena Acquisition. The 2027 Secured Notes and the related guarantees are secured by a first-priority interest in, among other things and subject to certain agreed security principles, three of our vessels, namely the Norwegian Jade vessel, the Norwegian Epic vessel and the Sirena vessel.

NCLC may redeem the 2027 Secured Notes at its option, in whole or in part, at any time and from time to time prior to February 15, 2024, at a “make-whole” redemption price, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date. NCLC may redeem the 2027 Secured Notes at its option, in whole or in part, at any time and from time to time on or after February 15, 2024, at the redemption prices set forth in the indenture governing the 2027 Secured Notes, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date. At any time and from time to time prior to February 15, 2024, NCLC may choose to redeem up to 40% of the aggregate principal amount of the 2027 Secured 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 2027 Secured 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 2027 Secured Notes issued remains outstanding following such redemption.

NCLC may redeem the 2029 Unsecured Notes at its option, in whole or in part, at any time and from time to time prior to November 15, 2028, at a “make-whole” redemption price, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date. NCLC may redeem the 2029 Unsecured Notes at its option, in whole or in part, at any time and from time to time on or after November 15, 2028, at a redemption price equal to 100% of the principal amount of 2029 Unsecured Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date. At any time and from time to time prior to February 15, 2025, NCLC may choose to redeem up to 40% of the aggregate principal amount of the 2029 Unsecured Notes with the net proceeds of certain equity offerings, subject to certain restrictions, at a redemption price equal to 107.750% of the principal amount of the 2029 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 2029 Unsecured Notes issued remains outstanding following such redemption.

The indentures governing the 2027 Secured Notes and the 2029 Unsecured Notes include requirements that, among other things and subject to a number of qualifications and exceptions, restrict our ability and the ability of our 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 our assets.

In February 2022, NCLC also conducted a private offering (the “Exchangeable Notes Offering”) of \$473.2 million in aggregate principal amount of 2.50% exchangeable senior notes due 2027 (the “New 2027 Exchangeable Notes”). The New 2027 Exchangeable Notes are guaranteed by NCLH on a senior basis. Holders may exchange their New 2027 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 New 2027

Exchangeable Notes, into a number of NCLH’s ordinary shares based on the exchange rate. The exchange rate will initially be 28.9765 ordinary shares per \$1,000 principal amount of New 2027 Exchangeable Notes (equivalent to an initial exchange price of approximately \$34.51 per ordinary share). The maximum exchange rate is 44.1891 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 New 2027 Exchangeable Notes pay interest at 2.50% per annum, semiannually on February 15 and August 15 of each year, to holders of record at the close of business on the immediately preceding February 1 and August 1, respectively.

NCLC has used, or will use, the net proceeds from the Notes Offering and the Exchangeable Notes Offering to redeem (the “Redemption”) all of the outstanding 2024 Senior Secured Notes and 2026 Senior Secured Notes and to make principal payments on debt maturing in the short-term, including, in each case, to pay any accrued and unpaid interest thereon, as well as related premiums, fees and expenses. Simultaneously with the Redemption, and pursuant to certain provisions contained in the indentures governing the 2026 Senior Unsecured Notes and the 2028 Senior Unsecured Notes, each of the guarantors party to such indentures were released from their obligations thereunder.

### Interest Expense

Interest expense, net for the year ended December 31, 2021 was \$2.1 billion which included \$54.4 million of amortization of deferred financing fees and an approximately \$1.4 billion loss on extinguishment and modification of debt. 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 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 and modification of debt.

### Debt Repayments

The following are scheduled principal repayments on long-term debt, including finance lease obligations, as of December 31, 2021 for each of the next five years (in thousands):

Year	Amount
2022	\$ 876,890
2023	937,406
2024	4,125,223
2025	1,071,019
2026	2,461,973
Thereafter	3,159,466
Total	<u>\$ 12,631,977</u>

We had an accrued interest liability of \$112.9 million and \$101.9 million as of December 31, 2021 and 2020, respectively.

### Debt Covenants

As of December 31, 2021, we were in compliance with all of our debt covenants. During the year ended December 31, 2021, we have received certain financial and other debt covenant waivers, added new free liquidity requirements and modified other financial covenants. 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, were all parties to an indenture, dated May 28, 2020 (the “Indenture”) related to the Private Exchangeable Notes, which were held by the Private Investor. The terms of the Private Exchangeable Notes are more fully described under Note 8 — “Long-Term Debt”. Based on the initial exchange rate for the Private Exchangeable Notes, the Private Investor beneficially owned approximately 10% of NCLH’s outstanding ordinary shares as of December 31, 2020. The initial exchange rate for the Private Exchangeable Notes could have been 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 have exceeded 46,577,947. The Private Exchangeable Notes also contained certain anti-dilution provisions that could have subjected the exchange rate to additional adjustment if certain events had occurred.

NCLH, NCLC and the Private Investor also entered into an investor rights agreement, dated May 28, 2020 (the “Investor Rights Agreement”), which provided that, among other things, the Private Investor was entitled to nominate one person for appointment to the board of directors of NCLH until the first date on which the Private Investor no longer beneficially owned 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 provided for customary registration rights for the Private Investor and its affiliates, including demand and piggyback registration rights, contained customary transfer restrictions and provided that the Private Investor and its affiliates were subject to a voting agreement with respect to certain matters during a specified period of time.

In a privately negotiated transaction among NCLH, NCLC and the Private Investor, NCLC agreed to repurchase all of the outstanding Private Exchangeable Notes for an aggregate repurchase price of approximately \$1.0 billion (the “Repurchase”). On March 9, 2021, in connection with the settlement of the Repurchase, the trustee cancelled the aggregate principal amount outstanding under the Private Exchangeable Notes and confirmed that NCLC had satisfied and discharged its obligations under the Indenture. In connection with the Repurchase, we and the Private Investor agreed to terminate the Investor Rights Agreement effective upon the consummation of the Repurchase. Notwithstanding the termination, we and the Private Investor agreed that certain provisions related to indemnification and expense reimbursement would survive in accordance with their terms.

## 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, 2021, we had fuel swaps, which are used to mitigate the financial impact of volatility of fuel prices pertaining to approximately 408 thousand metric tons of our projected fuel purchases, maturing through December 31, 2023.

As of December 31, 2020, we had approximately 199 thousand metric tons of fuel swaps which were not designated as cash flow hedges maturing through December 31, 2023. This included previously dedesignated fuel swaps and additional fuel swaps that were not designated as cash flow hedges.

As of December 31, 2021, 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 €2.2 billion, or \$2.5 billion based on the euro/U.S. dollar exchange rate as of December 31, 2021.

As of December 31, 2021, we had an interest rate swap, which is 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 swap was \$0.2 billion as of December 31, 2021.

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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Derivative Contracts Designated as Hedging Instruments</b>					
Fuel contracts					
	Prepaid expenses and other assets	\$ 29,349	\$ —	\$ —	\$ —
	Other long-term assets	19,554	—	—	—
	Accrued expenses and other liabilities	—	—	—	35,973
	Other long-term liabilities	—	—	—	28,947
Foreign currency contracts					
	Prepaid expenses and other assets	4,898	5,779	—	—
	Other long-term assets	—	43,250	—	—
	Accrued expenses and other liabilities	—	—	98,592	14,778
	Other long-term liabilities	—	6,821	73,496	44,938
Interest rate contracts					
	Accrued expenses and other liabilities	—	—	469	6,776
	Other long-term liabilities	—	—	—	452
Total derivatives designated as hedging instruments		<u>\$ 53,801</u>	<u>\$ 55,850</u>	<u>\$ 172,557</u>	<u>\$ 131,864</u>
<b>Derivative Contracts Not Designated as Hedging Instruments</b>					
Fuel contracts					
	Prepaid expenses and other assets	\$ 10,836	\$ —	\$ —	\$ —
	Other long-term assets	3,476	—	—	—
	Accrued expenses and other liabilities	—	546	—	6,732
	Other long-term liabilities	—	—	—	3,534
Total derivatives not designated as hedging instruments		<u>\$ 14,312</u>	<u>\$ 546</u>	<u>\$ —</u>	<u>\$ 10,266</u>
Total derivatives		<u>\$ 68,113</u>	<u>\$ 56,396</u>	<u>\$ 172,557</u>	<u>\$ 142,130</u>

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, 2021</b>					
Assets	\$ 68,113	\$ —	\$ 68,113	\$ (68,113)	\$ —
Liabilities	172,557	—	172,557	(172,557)	—
<b>December 31, 2020</b>					
Assets	\$ 49,029	\$ —	\$ 49,029	\$ (49,029)	\$ —
Liabilities	142,130	(7,367)	134,763	(57,351)	77,412

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,		
	2021	2020	2019		2021	2020	2019
Fuel contracts	\$ 74,434	\$ (157,669)	\$ 46,154	Fuel	\$ (41,080)	\$ (45,488)	\$ 14,093
Fuel contracts	—	—	—	Other income (expense), net	(12,002)	(49,653)	—
Foreign currency contracts	(185,067)	116,496	(163,197)	Depreciation and amortization	(5,067)	(4,929)	(3,062)
Interest rate contracts	254	(10,469)	(5,972)	Interest expense, net	(6,868)	(6,600)	(2,133)
Total gain (loss) recognized in other comprehensive income	\$ (110,379)	\$ (51,642)	\$ (123,015)		\$ (65,017)	\$ (106,670)	\$ 8,898

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

	Year Ended December 31, 2021			
	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	\$ 301,852	\$ 700,845	\$ 2,072,925	\$ 123,953
Amount of gain (loss) reclassified from accumulated other comprehensive income (loss) into income				
Fuel contracts	(41,080)	—	—	—
Foreign currency contracts	—	(5,067)	—	—
Interest rate contracts	—	—	(6,868)	—
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	—	—	—	(12,002)

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

	<b>Year Ended December 31, 2020</b>			
	<b>Fuel</b>	<b>Depreciation and Amortization</b>	<b>Interest Expense, net</b>	<b>Other Income (Expense), net</b>
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):

	<b>Year Ended December 31, 2019</b>		
	<b>Fuel</b>	<b>Depreciation and Amortization</b>	<b>Interest Expense, net</b>
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
Amount of gain (loss) reclassified from accumulated other comprehensive income (loss) into income			
Fuel contracts	14,093	—	—
Foreign currency contracts	—	(3,062)	—
Interest rate contracts	—	—	(2,133)

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

	<b>Location of Gain (Loss)</b>	<b>Amount of Gain (Loss) Recognized in Income</b>		
		<b>Year Ended December 31,</b>		
		<b>2021</b>	<b>2020</b>	<b>2019</b>
Derivatives not designated as hedging instruments				
Fuel contracts	Other income (expense), net	\$ 65,507	\$ 20,932	\$ —

### Long-Term Debt

As of December 31, 2021 and 2020, the fair value of our long-term debt, including the current portion, was \$12.5 billion and \$14.2 billion, respectively, which was \$0.1 billion lower and \$2.2 billion 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 as of December 31, 2020. 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 other indefinite-lived assets, principally tradenames, are reviewed for impairment on an annual basis or earlier if there is an event or change in circumstances that would indicate that the carrying value of these assets may not be fully recoverable.

We believe our estimates and judgments with respect to our long-lived assets, principally ships, and goodwill and other indefinite-lived intangible assets are reasonable. Nonetheless, if there was a material change in assumptions used in the determination of such fair values or if there is a material change in the conditions or circumstances that influence such assets, we could be required to record an impairment charge. We estimate fair value based on the best information available utilizing estimates, judgments and projections as necessary. As of December 31, 2021, our annual review supports the carrying value of these assets.

### **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 15,035,106 of NCLH's ordinary shares pursuant to awards granted under the plan, with no more than 5,000,000 shares being granted to one individual in any calendar year. In May 2016, the plan was amended and restated ("Restated 2013 Plan") pursuant to approval from the Board of Directors and NCLH's shareholders. Among other things, under the Restated 2013 Plan, the number of NCLH's ordinary shares that may be delivered pursuant to all awards granted under the plan was increased by an additional 12,430,000 shares to a new maximum aggregate limit of 27,465,106 shares. Additionally, the expiration date of the Restated 2013 Plan was extended to March 30, 2026. In May 2021, the Restated 2013 Plan was further amended and restated to increase the number of NCLH ordinary shares that may be delivered by 4,910,000 shares to 32,375,106 shares. 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 or four years with a contractual life of 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 share option awards granted for the years ended December 31, 2021, 2020 and 2019. The following table sets forth a summary of option activity under NCLH's Restated 2013 Plan for the period presented:

	Number of Share Option Awards			Weighted-Average Exercise Price			Weighted-Average Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
	Time-Based Awards	Performance-Based Awards	Market-Based Awards	Time-Based Awards	Performance-Based Awards	Market-Based Awards		
Outstanding as of January 1, 2021	4,525,207	114,583	208,333	\$ 51.96	\$ 59.43	\$ 59.43	4.42	\$ —
Forfeited and cancelled	(136,862)	—	—	53.36	—	—	—	—
Outstanding as of December 31, 2021	4,388,345	114,583	208,333	\$ 51.92	\$ 59.43	\$ 59.43	3.42	\$ —
Vested and expected to vest as of December 31, 2021	4,388,345	114,583	—	\$ 51.92	\$ 59.43	\$ —	3.41	\$ —
Exercisable as of December 31, 2021	4,388,345	114,583	—	\$ 51.92	\$ 59.43	\$ —	3.41	\$ —

The total intrinsic value of share options exercised during 2021, 2020 and 2019 was \$0, \$0.6 million and \$13.3 million, respectively, and total cash received by the Company from exercises was \$0, \$2.2 million and \$28.3 million, respectively. As of December 31, 2021, there was no unrecognized compensation cost, related to options granted under our share-based incentive plans.

## Restricted Share Unit ("RSU") Awards

In June 2021, NCLH granted 3.1 million time-based RSU awards to our employees, which primarily vest in substantially equal installments each March 1 over three years. Also, in June 2021, NCLH granted 0.7 million performance-based RSU awards to certain members of our management team, which vest upon the achievement of certain pre-established performance targets established through 2023 and the satisfaction of an additional time-based vesting requirement that generally requires continued employment through March 1, 2024.

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, 2021	6,663,925	\$ 30.54	1,565,184	\$ 39.42	50,000	\$ 59.43
Granted	3,137,453	30.89	736,898 (1)	40.89	—	—
Vested	(1,746,838)	47.01	(460,969)	56.73	—	—
Forfeited or expired	(282,917)	29.17	—	—	—	—
Non-vested as of December 31, 2021	7,771,623	\$ 27.02	1,841,113	\$ 35.68	50,000	\$ 59.43
Non-vested and expected to vest as of December 31, 2021	7,771,623	\$ 27.02	1,549,070	\$ 35.69	—	\$ —

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

As of December 31, 2021, there were total unrecognized compensation costs related to non-vested time-based, non-vested performance-based and market-based RSUs of \$109.7 million, \$21.7 million and \$0, respectively. The costs are expected to be recognized over a weighted-average period of 1.7 years, 1.9 years and 0 years, respectively, for the time-

based, performance-based and market-based RSUs. Taxes paid pursuant to net share settlements in 2021, 2020 and 2019 were \$16.7 million, \$15.4 million and \$20.9 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, 2021 and 2020, we had a liability for payroll withholdings received of \$2.7 million and \$1.4 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,		
	2021	2020	2019
Payroll and related (1)	\$ 22,622	\$ 21,190	\$ 17,597
Marketing, general and administrative (2)	101,455	90,107	77,458
Total share-based compensation expense	\$ 124,077	\$ 111,297	\$ 95,055

(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 generally require the individual’s continued employment. Company performance criteria include the attainment of certain financial targets and other strategic objectives.

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

We maintain a 401(k) Plan for our shoreside employees, including our executive officers. Participants may contribute up to 100% of eligible compensation each pay period, subject to certain limitations. In 2019 and 2021, we made matching contributions equal to 100% of the first 3% and 50% of amounts greater than 3% to and including 10% of each participant’s contributions subject to certain limitations. In addition, we may make discretionary supplemental contributions to the 401(k) Plan, which shall be allocated pro rata to each eligible participant based on the compensation of the participant relative to the total compensation of all participants. Our matching contributions are vested according to a five-year schedule. Due to the COVID-19 pandemic, in 2020, we paused our matching contributions under the 401(k) Plan for a portion of the year. The 401(k) Plan is subject to the provisions of ERISA and is intended to be qualified under section 401(a) of the U.S. Internal Revenue Code (the “Code”). We recorded total expenses related to the above 401(k) Plan of \$8.7 million, \$2.8 million and \$9.1 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Effective January 2009, we implemented the Shipboard Retirement Plan which computes benefits based on years of service, subject to eligibility requirements. The Shipboard Retirement Plan is unfunded with no plan assets. The current portion of the projected benefit obligation of \$0.9 million was included in accrued expenses and other liabilities as of

December 31, 2021 and 2020, and \$33.8 million and \$30.7 million was included in other long-term liabilities in our consolidated balance sheets as of December 31, 2021 and 2020, respectively.

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

	<b>As of or for the Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Pension expense:</b>			
Service cost	\$ 2,902	\$ 2,665	\$ 2,135
Interest cost	717	895	1,001
Amortization of prior service cost	378	378	378
Amortization of actuarial loss	15	29	—
Total pension expense	<u>\$ 4,012</u>	<u>\$ 3,967</u>	<u>\$ 3,514</u>
<b>Change in projected benefit obligation:</b>			
Projected benefit obligation at beginning of year	\$ 31,619	\$ 28,695	\$ 24,318
Service cost	2,902	2,665	2,135
Interest cost	717	895	1,001
Actuarial (gain) loss	—	62	2,308
Direct benefit payments	(550)	(698)	(1,067)
Projected benefit obligation at end of year	<u>\$ 34,688</u>	<u>\$ 31,619</u>	<u>\$ 28,695</u>
<b>Amounts recognized in the consolidated balance sheets:</b>			
Projected benefit obligation	<u>\$ 34,688</u>	<u>\$ 31,619</u>	<u>\$ 28,695</u>
<b>For the Year Ended December 31,</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Amounts recognized in accumulated other comprehensive income (loss):</b>			
Prior service cost	\$ (3,025)	\$ (3,403)	\$ (3,781)
Accumulated actuarial loss	(3,431)	(3,446)	(3,413)
Accumulated other comprehensive income (loss)	<u>\$ (6,456)</u>	<u>\$ (6,849)</u>	<u>\$ (7,194)</u>

The discount rates used in the net periodic benefit cost calculation for the years ended December 31, 2021, 2020 and 2019 were 2.3%, 3.2% and 4.2%, respectively, and the actuarial loss is amortized over 18 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):

<b>Year</b>	<b>Amount</b>
2022	\$ 1,098
2023	1,221
2024	1,311
2025	1,382
2026	1,536
Next five years	12,202

## 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,		
	2021	2020	2019
Bermuda	\$ —	\$ —	\$ —
Foreign - Other	(4,501,320)	(4,000,047)	911,365
Net income (loss) before income taxes	<u>\$ (4,501,320)</u>	<u>\$ (4,000,047)</u>	<u>\$ 911,365</u>

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

	Year Ended December 31,		
	2021	2020	2019
Current:			
Bermuda	\$ —	\$ —	\$ —
United States	(85)	5,853	(975)
Foreign - Other	(3,264)	(5,502)	(6,294)
Total current:	<u>(3,349)</u>	<u>351</u>	<u>(7,269)</u>
Deferred:			
Bermuda	—	—	—
United States	(1,867)	(12,690)	25,785
Foreign - Other	(51)	(128)	347
Total deferred:	<u>(1,918)</u>	<u>(12,818)</u>	<u>26,132</u>
Income tax benefit (expense)	<u>\$ (5,267)</u>	<u>\$ (12,467)</u>	<u>\$ 18,863</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,		
	2021	2020	2019
Tax at Bermuda statutory rate	\$ —	\$ —	\$ —
Foreign income taxes at different rates	38,668	24,479	(18,630)
Tax contingencies	(6)	(626)	(206)
Return to provision adjustments	1,105	1,684	2,014
Benefit (expense) from change in tax rate	—	—	(14)
Valuation allowance	(45,034)	(38,004)	35,699
Income tax benefit (expense)	<u>\$ (5,267)</u>	<u>\$ (12,467)</u>	<u>\$ 18,863</u>

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

	As of December 31,	
	2021	2020
Deferred tax assets:		
Loss carryforwards	\$ 113,886	\$ 77,411
Other	15,373	7,090
Valuation allowance	(87,849)	(42,876)
Total net deferred assets	<u>41,410</u>	<u>41,625</u>
Deferred tax liabilities:		
Property and equipment	(41,756)	(41,893)
Total deferred tax liabilities	<u>(41,756)</u>	<u>(41,893)</u>
Net deferred tax asset (liability)	<u>\$ (346)</u>	<u>\$ (268)</u>

We have U.S. net operating loss carryforwards of \$525.3 million and \$352.9 million for the years ended December 31, 2021 and 2020, 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 \$12.5 million and \$5.4 million for the years ended

December 31, 2021 and 2020, respectively, which expire between 2028 through 2041. 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 in the fourth quarter of 2021 and 2020 of \$45.0 million and \$39.6 million, respectively, 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 \$13.2 million and \$13.4 million for the years ended December 31, 2021 and 2020, respectively, which can be carried forward indefinitely.

Included above are deferred tax assets associated with Prestige. We have U.S. net operating loss carryforwards of \$155.0 million for the years ended December 31, 2021 and 2020, 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 operating 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.

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 2018, except for years in which NOLs generated prior to 2018 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, we have six Prima Class Ships on order, each ranging from approximately 140,000 to 156,300 Gross Tons with approximately 3,215 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 €7.7 billion, or \$8.8 billion based on the euro/U.S. dollar exchange rate as of December 31, 2021. We have obtained export-credit backed 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, 2021, 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>
2022	\$ 1,483,391
2023	2,278,139
2024	1,105,038
2025	1,605,329
2026	1,008,318
Thereafter	881,541
Total minimum annual payments	<u>\$ 8,361,756</u>

#### Port Facility Commitments

As of December 31, 2021, future commitments to pay for usage of certain port facilities were as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2022	\$ 27,042
2023	33,127
2024	33,661
2025	26,884
2026	22,724
Thereafter	370,499
Total port facility future commitments	<u>\$ 513,937</u>

Our port facilities agreements generally include force majeure provisions that may alleviate an unspecified amount of obligations under certain circumstances.

#### 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, 2021, we have in place approximately £48.1 million of security guarantees for our brands as well as a consumer protection policy covering up to £51.1 million. The Company has provided approximately \$28.9 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 asserted 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 alleged that the Company made false and misleading statements to the market and customers about COVID-19. The complaint sought 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. On April 10, 2021, the case was dismissed and closed, and the plaintiffs no longer have the right to appeal.

### ***Investigations***

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 (the "Havana Docks Matter") alleges it holds an interest in the Havana Cruise Port Terminal and the complaint filed by Javier Garcia-Bengochea (the "Garcia-Bengochea Matter") 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. Discovery in the Havana Docks Matter has now concluded and appropriate motions for summary judgment have been filed. On January 12, 2022, the Court held an all-day hearing on the motions for summary judgment. To date, no ruling has been issued. The Court has further moved the trial date for the Havana Docks Matter to its May 2022 docket. 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, 2021, we are unable to reasonably estimate any potential contingent loss from these matters due to a lack of legal precedent.

### ***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 \$1.3 billion in advance ticket sales as of December 31, 2021 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, 2021, we had cash reserves of approximately \$1.2 billion with credit card processors recognized in accounts receivable, net or other long-term assets. We may be required to pledge additional collateral and/or post additional cash reserves or take other actions that may reduce our liquidity.

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

Other income (expense), net was income of \$124.0 million, expense of \$33.6 million, and income of \$6.2 million for the years ended December 31, 2021, 2020 and 2019, respectively. In 2021, the income was primarily due to gains on derivatives not designated as hedges and gains from foreign currency exchange. 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.

### **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 \$48.6 million, \$59.0 million and \$153.6 million for the years ended December 31, 2021, 2020 and 2019, 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, 2021, we had non-cash investing activities related to property and equipment of \$109.3 million. For the year ended December 31, 2021, we paid income taxes of \$2.7 million and interest and related fees, net of capitalized interest, of \$2.1 billion including the early redemption premiums.

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 in connection with 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.

**17. Quarterly Financial Data and Revision to Previously Reported Quarterly Financial Statements (Unaudited)**  
(in thousands, except per share data)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2021	2020	2021	2020	2021	2020	2021	2020
Total revenue	\$ 3,100	\$ 1,246,882	\$ 4,368	\$ 16,929	\$ 153,081	\$ 6,518	\$ 487,437	\$ 9,579
Operating loss	(571,266)	(1,824,061)	(605,104)	(595,411)	(689,106)	(517,783)	(686,872)	(546,880)
Net loss	(1,370,192)	(1,880,972)	(717,789)	(715,243)	(845,885)	(677,366)	(1,572,721)	(738,933)
Loss per share:								
Basic	(4.16)	(8.80)	(1.94)	(2.99)	(2.29)	(2.50)	(4.01)	(2.51)
Diluted	(4.16)	(8.80)	(1.94)	(2.99)	(2.29)	(2.50)	(4.01)	(2.51)

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 from March 2020 until July 2021 due to the COVID-19 pandemic and our resumption of cruise voyages are being phased in gradually.

The Company has identified certain errors in its Consolidated Balance Sheets as of March 31, 2021, June 30, 2021 and September 30, 2021 and Consolidated Statements of Cash Flows for the respective periods then ended. Based on their nature, certain amounts shown as cash and cash equivalents should have been classified as short-term investments. We have determined that these errors were not material to the previously issued interim financial statements for the periods ended March 31, 2021, June 30, 2021 and September 30, 2021.

The impact of these changes to our previously reported Consolidated Balance Sheets and Consolidated Statements of Cash Flows as of and for the three, six and nine month periods ended March 31, 2021, June 30, 2021 and September 30, 2021, respectively, is as follows (in thousands):

	As of March 31, 2021		
	Previously Reported	Adjustments	As Revised
<b>Current assets</b>			
Cash and cash equivalents	\$ 3,508,033	\$ (205,000)	\$ 3,303,033
Short-term investments	—	205,000	205,000
	Three months ended March 31, 2021		
	Previously Reported	Adjustments	As Revised
<b>Cash flows from investing activities</b>			
Purchases of short-term investments	\$ —	\$ (205,000)	\$ (205,000)
Net cash used in investing activities	(138,266)	(205,000)	(343,266)
Net increase (decrease) in cash and cash equivalents	207,551	(205,000)	2,551
Cash and cash equivalents at end of period	3,508,033	(205,000)	3,303,033

	<b>As of June 30, 2021</b>		
	<b>Previously Reported</b>	<b>Adjustments</b>	<b>As Revised</b>
<b>Current assets</b>			
Cash and cash equivalents	\$ 2,750,140	\$ (385,000)	\$ 2,365,140
Short-term investments	—	385,000	385,000
<b>Six months ended June 30, 2021</b>			
	<b>Previously Reported</b>	<b>Adjustments</b>	<b>As Revised</b>
<b>Cash flows from investing activities</b>			
Purchases of short-term investments	\$ —	\$ (385,000)	\$ (385,000)
Net cash used in investing activities	(315,215)	(385,000)	(700,215)
Net increase (decrease) in cash and cash equivalents	(550,342)	(385,000)	(935,342)
Cash and cash equivalents at end of period	2,750,140	(385,000)	2,365,140
<b>As of September 30, 2021</b>			
	<b>Previously Reported</b>	<b>Adjustments</b>	<b>As Revised</b>
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,934,816	\$ (565,000)	\$ 1,369,816
Short-term investments	—	565,000	565,000
<b>Nine months ended September 30, 2021</b>			
	<b>Previously Reported</b>	<b>Adjustments</b>	<b>As Revised</b>
<b>Cash flows from investing activities</b>			
Purchases of short-term investments	\$ —	\$ (770,000)	\$ (770,000)
Proceeds from maturities of short-term investments	—	205,000	205,000
Net cash used in investing activities	(542,971)	(565,000)	(1,107,971)
Net increase (decrease) in cash and cash equivalents	(1,365,666)	(565,000)	(1,930,666)
Cash and cash equivalents at end of period	1,934,816	(565,000)	1,369,816

We will revise the historical Consolidated Statements of Cash Flows for the March 31, 2021, June 30, 2021 and September 30, 2021 periods presented in previously issued financial statements in the Company's future Form 10-Q filings to reflect the impact of the revisions.

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# SHAREHOLDER INFORMATION

## CORPORATE OFFICE

Norwegian Cruise Line Holdings Ltd.  
7665 Corporate Center Drive  
Miami, Florida 33126  
USA  
(305) 436-4000  
www.nclhld.com

## INDEPENDENT PRINCIPAL AUDITOR

PricewaterhouseCoopers LLP  
600 Silks Run  
Suite 2210  
Hallandale Beach, Florida 33009

## TRANSFER AGENT & REGISTRAR

American Stock Transfer &  
Trust Company, LLC  
6201 15th Avenue  
Brooklyn, New York 11219  
www.astfinancial.com

## INVESTOR INQUIRIES

To access or obtain financial reports,  
please visit our Investor Relations website  
at [www.nclhld.com/investors](http://www.nclhld.com/investors), write to  
our Investor Relations Department at our  
corporate office or at  
[investorrelations@nclcorp.com](mailto:investorrelations@nclcorp.com)  
or call (305) 468-2339

## STOCK EXCHANGE INFORMATION

New York Stock Exchange  
Symbol: NCLH

## ANNUAL MEETING

The annual meeting of shareholders will take  
place on Thursday, June 16, 2022, at  
9:00 a.m. Eastern Time at PULLMAN HOTEL,  
5800 Blue Lagoon Drive, Miami, Florida 33126

## EXECUTIVE TEAM

### NORWEGIAN CRUISE LINE HOLDINGS LTD.

#### FRANK J. DEL RIO

President and Chief Executive Officer

#### MARK A. KEMPA

Executive Vice President and  
Chief Financial Officer

#### ROBIN LINDSAY

Executive Vice President,  
Vessel Operations

#### DANIEL S. FARKAS

Executive Vice President,  
General Counsel and Assistant Secretary

#### FAYE L. ASHBY

Senior Vice President and  
Chief Accounting Officer

### NORWEGIAN CRUISE LINE

#### HARRY SOMMER

President and Chief Executive Officer

### OCEANIA CRUISES

#### HOWARD SHERMAN

President and Chief Executive Officer

### REGENT SEVEN SEAS CRUISES

#### JASON MONTAGUE

President and Chief Executive Officer

## BOARD OF DIRECTORS

### NORWEGIAN CRUISE LINE HOLDINGS LTD.



#### RUSSELL W. GALBUT

Chairman of  
the Board  
Managing Principal,  
Crescent Heights



#### STELLA DAVID

Former Chief  
Executive Officer,  
William Grant & Sons  
Limited



#### FRANK J. DEL RIO

President and Chief  
Executive Officer,  
Norwegian Cruise  
Line Holdings Ltd.



#### MARY E. LANDRY

Rear Admiral,  
U.S. Coast Guard,  
Retired



#### DAVID M. ABRAMS

Founder and  
Co-Managing Partner,  
Velocity Capital  
Management



#### HARRY C. CURTIS

Former Managing  
Director,  
Nomura Instinet



#### ADAM M. ARON

Chief Executive  
Officer and  
President,  
AMC  
Entertainment  
Holdings, Inc.

