

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

OR

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

For the transition period from _____ to _____

Commission File Number: 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)

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

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

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

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

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

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

There were 204,014,702 ordinary shares outstanding as of July 26, 2013.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue				
Passenger ticket	\$ 457,619	\$ 416,219	\$ 816,547	\$ 767,549
Onboard and other	186,814	167,015	355,517	331,115
Total revenue	<u>644,433</u>	<u>583,234</u>	<u>1,172,064</u>	<u>1,098,664</u>
Cruise operating expense				
Commissions, transportation and other	112,985	108,694	207,564	199,309
Onboard and other	49,316	44,009	91,687	83,210
Payroll and related	82,809	74,374	156,848	147,722
Fuel	75,582	71,615	148,080	137,141
Food	33,674	31,331	63,636	62,711
Other	66,713	57,718	115,953	109,675
Total cruise operating expense	<u>421,079</u>	<u>387,741</u>	<u>783,768</u>	<u>739,768</u>
Other operating expense				
Marketing, general and administrative	74,111	61,807	159,317	132,969
Depreciation and amortization	53,854	46,680	102,602	92,477
Total other operating expense	<u>127,965</u>	<u>108,487</u>	<u>261,919</u>	<u>225,446</u>
Operating income	<u>95,389</u>	<u>87,006</u>	<u>126,377</u>	<u>133,450</u>
Non-operating income (expense)				
Interest expense, net	(103,686)	(48,905)	(231,342)	(95,075)
Other income (expense)	429	(1,999)	1,794	1,086
Total non-operating income (expense)	<u>(103,257)</u>	<u>(50,904)</u>	<u>(229,548)</u>	<u>(93,989)</u>
Net income (loss) before income taxes	(7,868)	36,102	(103,171)	39,461
Income tax expense, net	(1,047)	(71)	(3,244)	(146)
Net income (loss)	(8,915)	36,031	(106,415)	39,315
Net loss attributable to non-controlling interest	(74)	—	(1,179)	—
Net income (loss) attributable to Norwegian Cruise Line Holdings Ltd.	<u>\$ (8,841)</u>	<u>\$ 36,031</u>	<u>\$ (105,236)</u>	<u>\$ 39,315</u>
Weighted-average shares outstanding				
Basic	<u>203,997,492</u>	<u>178,199,155</u>	<u>201,189,562</u>	<u>178,178,612</u>
Diluted	<u>203,997,492</u>	<u>178,949,924</u>	<u>201,189,562</u>	<u>178,961,249</u>
Earnings (loss) per share				
Basic	<u>\$ (0.04)</u>	<u>\$ 0.20</u>	<u>\$ (0.52)</u>	<u>\$ 0.22</u>
Diluted	<u>\$ (0.04)</u>	<u>\$ 0.20</u>	<u>\$ (0.52)</u>	<u>\$ 0.22</u>

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

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Norwegian Cruise Line Holdings Ltd.
Consolidated Statements of Comprehensive Loss
(unaudited, in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net income (loss)	\$ (8,915)	\$ 36,031	\$(106,415)	\$ 39,315
Other comprehensive loss, net of tax:				
Shipboard Retirement Plan	117	98	234	196
Cash flow hedges:				
Net unrealized loss related to cash flow hedges (1)	(9,064)	(56,427)	(28,620)	(25,750)
Amount realized and reclassified into earnings (2)	(236)	(4,509)	(2,011)	(16,602)
Total other comprehensive loss	(9,183)	(60,838)	(30,397)	(42,156)
Total comprehensive loss	(18,098)	(24,807)	(136,812)	(2,841)
Comprehensive loss attributable to non-controlling interest	(193)	—	(1,788)	—
Total comprehensive loss attributable to Norwegian Cruise Line Holdings Ltd.	<u>\$ (17,905)</u>	<u>\$ (24,807)</u>	<u>\$ (135,024)</u>	<u>\$ (2,841)</u>

- (1) Net of a deferred tax benefit of \$657 and \$797 for the three and six months ended June 30, 2013, respectively.
(2) Net of a deferred tax expense of \$12 and \$73 for the three and six months ended June 30, 2013, respectively.

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

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

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 82,840	\$ 45,500
Accounts receivable, net	16,370	15,062
Inventories	45,429	39,681
Prepaid expenses and other assets	56,380	64,686
Total current assets	201,019	164,929
Property and equipment, net	5,601,690	4,960,142
Goodwill and tradenames	611,330	611,330
Other long-term assets	174,594	202,026
Total assets	<u>\$6,588,633</u>	<u>\$5,938,427</u>
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 272,644	\$ 221,233
Accounts payable	97,100	79,126
Accrued expenses and other liabilities	221,673	231,040
Due to Affiliate	37,064	59,897
Advance ticket sales	542,602	353,793
Total current liabilities	1,171,083	945,089
Long-term debt	2,918,566	2,764,120
Due to Affiliate	73,276	147,364
Other long-term liabilities	41,415	63,070
Total liabilities	<u>4,204,340</u>	<u>3,919,643</u>
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Ordinary shares, \$.001 par value; 490,000,000 shares authorized; 204,014,702 shares issued and outstanding at June 30, 2013, and \$.0012 par value; 40,000,000 shares authorized; 21,000,000 shares issued and outstanding at December 31, 2012	204	25
Additional paid-in capital	2,805,277	2,327,097
Accumulated other comprehensive income (loss)	(47,407)	(17,619)
Retained earnings (deficit)	(404,421)	(299,185)
Total shareholders' equity controlling interest	2,353,653	2,010,318
Non-controlling interest	30,640	8,466
Total shareholders' equity	<u>2,384,293</u>	<u>2,018,784</u>
Total liabilities and shareholders' equity	<u>\$6,588,633</u>	<u>\$5,938,427</u>

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

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

	Six Months Ended	
	June 30,	
	2013	2012
Cash flows from operating activities		
Net income (loss)	\$ (106,415)	\$ 39,315
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	115,946	105,742
Gain on derivatives	(270)	(429)
Deferred income taxes, net	2,968	—
Write-off of deferred financing fees	36,357	2,358
Share-based compensation expense	19,356	330
Premium on debt issuance	—	6,000
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,308)	(1,281)
Inventories	(5,748)	(1,552)
Prepaid expenses and other assets	961	943
Accounts payable	17,974	(11,743)
Accrued expenses and other liabilities	(14,909)	10,257
Advance ticket sales	187,868	105,848
Net cash provided by operating activities	<u>252,780</u>	<u>255,788</u>
Cash flows from investing activities		
Additions to property and equipment and other	(759,020)	(174,973)
Net cash used in investing activities	<u>(759,020)</u>	<u>(174,973)</u>
Cash flows from financing activities		
Repayments of long-term debt	(2,081,520)	(591,152)
Repayments to Affiliate	(98,171)	—
Proceeds from long-term debt	2,289,253	520,205
Proceeds from the issuance of ordinary shares, net	473,017	—
Other, primarily deferred financing fees	(38,999)	(3,093)
Net cash provided by (used in) financing activities	<u>543,580</u>	<u>(74,040)</u>
Net increase in cash and cash equivalents	37,340	6,775
Cash and cash equivalents at beginning of period	45,500	58,926
Cash and cash equivalents at end of period	<u>\$ 82,840</u>	<u>\$ 65,701</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
(unaudited, in thousands)

	Ordinary Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Non-controlling Interest	Total
Balance, December 31, 2011	\$ 25	\$2,324,167	\$ (19,794)	\$ (467,741)	\$ 7,806	\$1,844,463
Share-based compensation	—	—	—	—	660	660
Transactions with Affiliates, net	—	2,930	—	—	—	2,930
Other comprehensive income	—	—	2,175	—	—	2,175
Net income	—	—	—	168,556	—	168,556
Balance, December 31, 2012	25	2,327,097	(17,619)	(299,185)	8,466	2,018,784
Share-based compensation	—	29,336	—	—	19	29,355
Transactions with Affiliates, net	—	(51)	—	—	—	(51)
Corporate Reorganization	—	(18,994)	—	—	18,994	—
Proceeds from the issuance of ordinary shares, net	179	472,838	—	—	—	473,017
Other comprehensive loss	—	—	(29,788)	—	(609)	(30,397)
Net loss	—	—	—	(105,236)	(1,179)	(106,415)
Vesting of Management NCL Corporation Units	—	(4,949)	—	—	4,949	—
Balance, June 30, 2013	<u>\$ 204</u>	<u>\$2,805,277</u>	<u>\$ (47,407)</u>	<u>\$ (404,421)</u>	<u>\$ 30,640</u>	<u>\$2,384,293</u>

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

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Norwegian Cruise Line Holdings Ltd. Notes to Consolidated Financial Statements (unaudited)

Unless otherwise indicated or the context otherwise requires, references in this report to (i) the “Company,” “we,” “our,” “us” and “NCLH” refer to Norwegian Cruise Line Holdings Ltd., and/or its subsidiaries, (ii) “NCLC” refers to NCL Corporation Ltd. and/or its subsidiaries, (iii) “Norwegian Cruise Line” or “Norwegian” refers to the Norwegian Cruise Line brand and its predecessors, (iv) “Apollo” refers to Apollo Global Management, LLC and its subsidiaries and the “Apollo Funds” refers to one or more of AIF VI NCL (AIV), L.P., AIF VI NCL (AIV II), L.P., AIF VI NCL (AIV III), L.P. and AIF VI NCL (AIV IV), L.P., AAA Guarantor Co-Invest VI (B), L.P., Apollo Overseas Partners (Delaware) VI, L.P., Apollo Overseas Partners (Delaware 892) VI, L.P., Apollo Overseas Partners VI, L.P. and Apollo Overseas Partners (Germany) VI, L.P., (v) “TPG Global” refers to TPG Global, LLC, “TPG” refers to TPG Global and its affiliates and the “TPG Viking Funds” refers to one or more of TPG Viking, L.P., TPG Viking AIV I, L.P., TPG Viking AIV II, L.P., and TPG Viking AIV III, L.P. and/or certain other affiliated investment funds, each an affiliate of TPG, (vi) “Genting HK” refers to Genting Hong Kong Limited and/or its affiliates and (vii) “Affiliate(s)” refers to Genting HK, the Apollo Funds and/or the TPG Viking Funds. References to the “U.S.” are to the United States of America, “dollars” or “\$” are to U.S. dollars and “euros” or “€” are to the official currency of the Eurozone.

1. Corporate Reorganization

In January 2013, NCLH completed the IPO of 27,058,824 ordinary shares, par value \$.001 per share. In connection with the consummation of the IPO, NCLC’s ordinary shares were exchanged for the ordinary shares of NCLH, and NCLH became the owner of 100% of the ordinary shares (representing a 97.3% economic interest) and parent company of NCLC (the “Corporate Reorganization”). Accordingly, NCLH contributed \$460.0 million to NCLC and the historical financial statements of NCLC became those of NCLH. As a result of the Corporate Reorganization, the Management NCL Corporation Units created a non-controlling interest within NCLH. The Corporate Reorganization was effected solely for the purpose of reorganizing our corporate structure. NCLH had not, prior to the completion of the Corporate Reorganization, conducted any activities other than those incidental to its formation and to preparations for the Corporate Reorganization and the IPO (we refer you to Note 5—“Related Party Disclosures” for more information on the Corporate Reorganization).

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements are unaudited and, in our opinion, contain all normal recurring adjustments necessary for a fair statement of the results for the periods presented.

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 summer months. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012, which are included in our most recently filed Annual Report on Form 10-K.

Earnings(Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to Norwegian Cruise Line Holdings Ltd. by the weighted-average shares outstanding during each period. Diluted earnings per share incorporates the incremental shares issuable upon conversion of potentially dilutive shares. A reconciliation between basic and diluted earnings (loss) per share was as follows (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income (loss) attributable to Norwegian Cruise Line Holdings Ltd.	\$ (8,841)	\$ 36,031	\$ (105,236)	\$ 39,315
Basic weighted-average shares outstanding	203,997,492	178,199,155	201,189,562	178,178,612
Dilutive effect of awards	—	750,769	—	782,637
Diluted weighted-average shares outstanding	203,997,492	178,949,924	201,189,562	178,961,249
Basic earnings (loss) per share	\$ (0.04)	\$ 0.20	\$ (0.52)	\$ 0.22
Diluted earnings (loss) per share	\$ (0.04)	\$ 0.20	\$ (0.52)	\$ 0.22

Diluted loss per share for the three and six months ended June 30, 2013, did not include 6,728,789 and 6,325,138 shares, respectively, because the effect of including them would have been antidilutive.

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Revenue and Expense Recognition

Revenue and expense includes taxes assessed by governmental authorities that are directly imposed on a revenue-producing transaction between a seller and a customer. The amounts included in revenue and expense on a gross basis were \$36.1 million and \$34.1 million for the three months ended June 30, 2013 and 2012, respectively, and \$67.5 million and \$66.6 million for the six months ended June 30, 2013 and 2012, respectively.

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." Significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification shall be disclosed in a note to the consolidated financial statements or presented parenthetically on the face of the financial statements (we refer you to Note 3— "Accumulated Other Comprehensive Income (Loss)").

We have adopted the disclosure requirements as presented in the amendment to subtopic 210-20 "Disclosures about Offsetting Assets and Liabilities" which requires that we disclose separately for assets and liabilities the gross recognition and the offsetting amounts which are permitted by our master netting arrangements for our derivative contracts (we refer you to Note 7— "Fair Value Measurements and Derivatives").

3. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) for the six months ended June 30, 2013 was as follows (in thousands):

	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	\$ (17,619)	\$ (7,872)	\$ (9,747)
Current period other comprehensive loss before reclassifications	(28,046)	(28,046)	—
Amounts reclassified from accumulated other comprehensive income (loss)	(1,742)	(1,971) (1)	229 (2)
Accumulated other comprehensive income (loss) at end of period	<u>\$ (47,407)</u>	<u>\$(37,889) (3)</u>	<u>\$ (9,518)</u>

- (1) Amount reclassified to fuel expense.
- (2) Amortization of prior-service cost and actuarial loss reclassified to payroll and related expense.
- (3) Of the existing amounts related to derivatives designated as cash flow hedges, \$5.0 million is expected to be reclassified into earnings in the next 12 months.

4. Long-Term Debt

On June 21, 2013, NCLC and certain of its subsidiaries entered into supplemental deeds to the \$334.1 million Norwegian Jewel loan, Breakaway/Getaway Term Loan Facilities, €258.0 million Pride of America loan, and €308.1 million Pride of Hawai'i loan. The supplemental deeds amended and restated those credit facilities, reducing the interest rate per annum to a rate equal to the sum of (a) an adjusted LIBOR rate, (b) an applicable margin of 0.95% and (c) certain customary mandatory costs to compensate lenders for the cost of compliance with various financial regulations. In connection with these amendments, we terminated the €40.0 million secured loan agreement, dated as of April 4, 2003, as amended and restated on June 1, 2012, by and among Pride of America Ship Holding, LLC, as borrower, and a syndicate of international banks, and related guarantee by NCLC which had an aggregate outstanding principal balance thereunder of \$16.8 million.

On May 24, 2013, NCLC entered into a credit agreement which provides senior secured financing of \$1.3 billion, consisting of (i) a \$675 million term loan facility maturing on May 24, 2018 (the "Term Loan Facility"), all of which was borrowed for the purpose of refinancing existing senior debt; and (ii) a \$625 million revolving credit facility maturing on May 24, 2018 (the "Revolving Loan Facility" and together with the Term Loan Facility, the "new senior secured credit facilities"), \$208.0 million of which was borrowed as of June 30, 2013.

Borrowings under the new senior secured credit facilities bear interest at a rate per annum equal to (a) an adjusted LIBOR rate or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate of Deutsche Bank and (iii) the adjusted LIBOR rate, in each case plus an applicable margin that is determined by reference to a total leverage ratio, with an applicable margin of between 2.25% and 1.50% with respect to Eurocurrency loans and between 1.25% and 0.50% with respect to base rate loans. The initial applicable margin for borrowings is 2.25% with respect to Eurocurrency borrowings and 1.25% with respect to base rate borrowings.

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In addition to paying interest on outstanding principal under the new senior secured credit facilities, a commitment fee rate is determined by reference to a total leverage ratio, with a maximum commitment fee rate of 40% of the applicable margin for Eurocurrency loans.

The Term Loan Facility will be paid in quarterly installments commencing in September 2013, in a principal amount equal to (a) in the case of installments payable on or prior to May 24, 2015, 1.25% of the loans outstanding immediately after the closing date under the Term Loan Facility and (b) in the case of installments payable after May 24, 2015, 2.50% of the loans outstanding immediately after the closing date under the Term Loan Facility, with the remaining unpaid principal amount of loans under the Term Loan Facility due and payable in full at maturity on May 24, 2018. Principal amounts outstanding under the Revolving Loan Facility are due and payable in full at maturity on May 24, 2018.

In connection with the entry into the new senior secured credit facilities, the \$750.0 million Senior Secured Revolving Credit Facility and the €624.0 million Norwegian Pearl and Norwegian Gem Revolving Credit Facility were terminated. In addition, the remaining balance (\$227.5 million) of 9.50% senior unsecured notes, plus premium and accrued and unpaid interest, were redeemed in full on June 28, 2013.

In April 2013, we took delivery of Norwegian Breakaway. To finance the payment due upon delivery, we drew \$528.0 million of our €529.8 million Breakaway One Loan which is due April 2025. Also, we drew an aggregate of \$57.7 million of our €126.1 million Norwegian Jewel Term Loan and €126.1 million Norwegian Jade Term Loan which will come due April 2016. The loans bear interest at LIBOR plus 1.6%.

In February 2013, NCLC issued \$300.0 million aggregate principal amount of senior notes bearing interest at a rate of 5% per annum and maturing on February 15, 2018 (the "Notes Offering"). Interest on the notes will be payable semiannually on February 15 and August 15 of each year, commencing on August 15, 2013. The notes were issued at 99.451%.

We used the net proceeds that we received from the IPO and the Notes Offering, aggregating approximately \$770.0 million, to pay down debt; including (i) a prepayment of an aggregate \$55.6 million that became payable upon the consummation of the IPO consisting of \$21.3 million on our €624.0 million Norwegian Pearl and Norwegian Gem Revolving Credit Facility, \$14.7 million on our €308.1 million Pride of Hawai'i loan, \$8.0 million on our \$334.1 million Norwegian Jewel loan, \$10.1 million on our €258.0 million Pride of America loan and \$1.5 million on our €40.0 million Pride of America commercial loan, (ii) a payment to Genting HK of \$79.7 million in connection with the Norwegian Sky purchase agreement, (iii) a full redemption of our \$450.0 million 11.75% senior secured notes due 2016 and (iv) a partial redemption of \$122.5 million aggregate principal amount of our 9.50% senior unsecured notes. Expenses related to these debt prepayments were approximately \$90.5 million and were recognized in interest expense.

5. Related Party Disclosures

Following the IPO, NCLH contributed \$460.0 million to NCLC. The relative ownership percentages of NCLH's ordinary shares following the IPO were as follows: Genting HK (43.4%), the Apollo Funds (32.5%), the TPG Viking Funds (10.8%) and public shareholders (13.3%). We also made a payment of \$79.7 million to Genting HK in connection with the Norwegian Sky purchase agreement.

6. Income Tax Expense, Net

NCLH is treated as a corporation for U.S. federal income tax purposes. For the six months ended June 30, 2013, income tax expense, net was \$3.2 million, which consists of a one-time expense of \$4.2 million due to a change in U.S. tax status from a partnership to a corporation in connection with our recent IPO, a benefit of \$5.0 million in connection with our prepayments of debt, and a \$4.0 million expense from our U.S. operations.

7. 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).

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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. The determination of ineffectiveness is based on the amount of dollar offset between the cumulative change in fair value of the derivative and the cumulative change in fair value of the hedged transaction at the end of the reporting period. If it is determined that a derivative is not highly effective as a hedge, or if the hedged forecasted transaction is no longer probable of occurring, then the amount recognized in accumulated other comprehensive income (loss) is released to earnings. In addition, the ineffective portion of our highly effective hedges is recognized in earnings immediately and reported in other income (expense) in our consolidated statements of operations. 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 and our revolving credit facility, is not considered significant, as we primarily conduct business with large, well-established financial institutions that we have 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. The following table sets forth the fair value of our derivatives including the balance sheet location (in thousands):

	Balance Sheet location	Asset		Liability	
		June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Fuel swaps designated as hedging instruments	Prepaid expenses and other assets	\$ 515	\$ 5,955	\$ 426	\$ 876
	Other long-term assets	—	3,969	—	388
	Accrued expenses and other liabilities	1,514	188	4,548	204
	Other long-term liabilities	589	391	5,075	42
Fuel collars designated as hedging instruments	Prepaid expenses and other assets	111	1,615	30	530
	Accrued expenses and other liabilities	385	51	391	69
	Other long-term liabilities	406	1,908	533	1,230

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Balance Sheet location	Asset		Liability	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Fuel options not designated as hedging instruments				
Prepaid expenses and other assets	—	—	30	304
Accrued expenses and other liabilities	—	—	391	—
Other long-term liabilities	—	—	533	1,231
Foreign currency options designated as hedging instruments				
Accrued expenses and other liabilities	—	—	19,949	20,267
Other long-term liabilities	—	—	—	16,443
Foreign currency forward contracts designated as hedging instruments				
Prepaid expenses and other assets	—	11,685	—	—
Foreign currency collar designated as a hedging instrument				
Prepaid expenses and other assets	6,886	—	1,009	—
Other long-term assets	—	9,765	—	1,613

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. We are not required to post cash collateral related to our derivative instruments. The following table discloses the amounts recognized within assets and liabilities (in thousands):

June 30, 2013	Gross Amounts	Gross Amounts Offset	Total Net Amounts	Gross Amounts Not Offset	Net Amounts
Assets	\$ 7,512	\$(1,495)	\$ 6,017	\$ —	\$ 6,017
Liabilities	31,420	(2,894)	28,526	(19,949)	8,577
December 31, 2012					
December 31, 2012	Gross Amounts	Gross Amounts Offset	Total Net Amounts	Gross Amounts Not Offset	Net Amounts
Assets	\$ 32,989	\$(3,711)	\$29,278	\$ (11,685)	\$ 17,593
Liabilities	39,486	(2,538)	36,948	(36,710)	238

Fuel Swaps

As of June 30, 2013, we had fuel swaps maturing through December 31, 2015 which are used to mitigate the financial impact of volatility in fuel prices pertaining to approximately 761,000 metric tons of our projected fuel purchases. The effects of the fuel swaps on the consolidated financial statements which were designated as cash flow hedges were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Loss recognized in other comprehensive loss – effective portion	\$(18,074)	\$(34,283)	\$(13,368)	\$ (7,819)
Loss recognized in other income (expense) – ineffective portion	(320)	(1,843)	(99)	(599)
Amount reclassified from accumulated other comprehensive income (loss) into fuel expense	(736)	(3,093)	(2,999)	(12,332)

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Fuel Collars and Options

As of June 30, 2013, we had fuel collars and fuel options maturing through December 31, 2014 which are used to mitigate the financial impact of volatility in fuel prices pertaining to approximately 52,000 metric tons of our projected fuel purchases. The effects of the fuel collars on the consolidated financial statements which were designated as cash flow hedges were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Loss recognized in other comprehensive loss – effective portion	\$(1,500)	\$(11,674)	\$(1,535)	\$(2,619)
Gain (loss) recognized in other income (expense) – ineffective portion	14	(1,019)	22	(337)
Amount reclassified from accumulated other comprehensive income (loss) into fuel expense	391	(1,416)	818	(4,270)

The effects of the fuel options on the consolidated financial statements which were not designated as hedging instruments were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Gain (loss) recognized in other income (expense)	\$ (275)	\$ (366)	\$ 581	\$ 1,715

Foreign Currency Options

As of June 30, 2013, we had foreign currency derivatives consisting of call options with deferred premiums which are used to mitigate the financial impact of volatility in foreign currency exchange rates related to our ship construction contracts denominated in euros. If the spot rate at the date the ships are delivered is less than the strike price under these option contracts, we would pay the deferred premium and not exercise the foreign currency options. The notional amount of our foreign currency options was €175.0 million, or \$227.7 million based on the euro/U.S. dollar exchange rate as of June 30, 2013. The effects of the foreign currency options on the consolidated financial statements which were designated as cash flow hedges were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Loss recognized in other comprehensive loss – effective portion	\$(341)	\$(12,193)	\$(4,353)	\$(17,035)
Loss recognized in other income (expense) – ineffective portion	(22)	(81)	(320)	(350)
Amount reclassified from accumulated other comprehensive income (loss) into depreciation expense	117	—	117	—

Foreign Currency Forward Contracts

We had foreign currency forward contracts which matured in April 2013. The effects of the foreign currency forward contracts on the consolidated financial statements which were designated as cash flow hedges were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Gain (loss) recognized in other comprehensive loss – effective portion	\$ 8,747	\$ 1,723	\$(7,886)	\$ 1,723
Gain (loss) recognized in other income (expense) – ineffective portion	(2)	—	66	—
Amount reclassified from accumulated other comprehensive income (loss) into depreciation expense	(20)	—	(20)	—

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As of June 30, 2013, the effects of the foreign currency forward contracts on the consolidated financial statements which were not designated as hedging instruments were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Gain recognized in other income (expense)	\$ —	\$ —	\$ 20	\$ —

Foreign Currency Collar

As of June 30, 2013, we had a foreign currency collar used to mitigate the volatility of foreign currency exchange rates related to our ship construction contracts denominated in euros. The notional amount of our foreign currency collar was €100.0 million, or \$130.1 million based on the euro/U.S. dollar exchange rate as of June 30, 2013. The effects of the foreign currency collar on the consolidated financial statements which was designated as a cash flow hedge was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Gain (loss) recognized in other comprehensive loss – effective portion	\$ 1,447	\$ —	\$(2,275)	\$ —

Long-Term Debt

As of June 30, 2013 and December 31, 2012, the fair value of our long-term debt, including the current portion, was \$3,093.2 million and \$3,106.9 million, which was \$98.0 million and \$121.5 million higher, respectively, than the carrying values. The difference between the fair value and carrying value of our long-term debt is due to our fixed and variable rate debt obligations carrying interest rates that are above or below market rates at the measurement dates. The fair value of our long-term debt was calculated based on estimated rates for the same or similar instruments with similar terms and remaining maturities. The calculation of the fair value of our long-term debt is considered a Level 2 input.

Other

The carrying amounts reported in the consolidated balance sheets of all financial assets and liabilities other than our long-term debt approximate fair value.

8. Commitments and Contingencies

Ship Construction Contracts

Norwegian Getaway is under construction with Meyer Werft and is scheduled for delivery in January 2014. This ship will be approximately 144,000 Gross Tons with 4,000 Berths at an aggregate cost of approximately €625.9 million, or \$814.3 million based on the euro/U.S. dollar exchange rate as of June 30, 2013. We have export credit financing in place for this ship that provides financing for 90% of its contract price.

We have also ordered two additional cruise ships from Meyer Werft for delivery in the fourth quarter of 2015 and the first quarter of 2017. The new Breakaway Plus Class Ships will be the largest in our fleet at approximately 163,000 Gross Tons and 4,200 Berths each and will be similar in design and innovation to our Breakaway Class Ships. The combined contract cost of the two Breakaway Plus Class Ships is approximately €1.4 billion, or \$1.8 billion based on the euro/U.S. dollar exchange rate as of June 30, 2013. We have export credit financing in place for these ships that provides financing for 80% of their contract price.

In connection with the contracts to build the ships, we do not anticipate any contractual breaches or cancellation to occur. However, if any would 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.

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Litigation

In July 2009, a class action complaint was filed against NCL (Bahamas) Ltd. in the United States District Court, Southern District of Florida, on behalf of a purported class of crew members alleging inappropriate deductions of their wages pursuant to the Seaman's Wage Act and wrongful termination resulting in a loss of retirement benefits. In December 2010, the Court denied the plaintiffs' Motion for Class Certification. In February 2011, the plaintiffs filed a Motion for Reconsideration as to the Court's Order on Class Certification which was denied. The Court tried six individual plaintiffs' claims, and in September 2012 awarded wages aggregating approximately \$100,000 to such plaintiffs. The plaintiffs have filed an appeal of the Court's decision in the individual actions as well as the denial of the Class Certification. We intend to vigorously defend this appeal and are not able at this time to estimate the impact of these proceedings.

In May 2011, a class action complaint was filed against NCL (Bahamas) Ltd. in the United States District Court, Southern District of Florida, on behalf of a purported class of crew members alleging inappropriate deductions of their wages pursuant to the Seaman's Wage Act and breach of contract. In July 2012, this action was stayed by the Court pending the outcome of the litigation commenced with the class action complaint filed in July 2009. We are vigorously defending this action and are not able at this time to estimate the impact of these proceedings.

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. We intend to vigorously defend our legal position on all claims and, to the extent necessary, seek recovery.

9. Subsequent Event

In July 2013, we confirmed an order with Meyer Werft to proceed with the construction of the second Breakaway Plus Class Ship to be delivered in the first quarter of 2017. The contract cost of this second Breakaway Plus Class Ship is approximately €698.4 million, or \$908.6 million based on the euro/U.S. dollar exchange rate as of June 30, 2013. We have export credit financing in place for this ship that provides financing for 80% of its contract price.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this report constitute forward-looking statements 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 in this report, including, without limitation, those regarding our business strategy, financial position, results of operations, plans, prospects and objectives of management for future operations (including development plans and objectives relating to our activities), 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" and "future" and for 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 adverse impact of the worldwide economic downturn and related factors such as high levels of unemployment and underemployment, 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;
- changes in cruise capacity, as well as capacity changes in the overall vacation industry;
- intense competition from other cruise companies as well as non-cruise vacation alternatives which may affect our ability to compete effectively;
- our substantial leverage, including the inability to generate the necessary amount of cash to service our existing debt, repay our credit facilities if payment is accelerated and incur substantial indebtedness in the future;
- changes in fuel prices or other cruise operating costs;
- the risks associated with operating internationally, including changes in interest rates and/or foreign currency rates;
- the continued borrowing availability under our credit facilities and compliance with our financial covenants;
- our ability to incur significantly more debt despite our substantial existing indebtedness;
- the impact of 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;
- adverse events impacting the security of travel that may affect consumer demand for cruises such as terrorist acts, acts of piracy, armed conflict and other international events;
- the impact of any future changes relating to how travel agents sell and market our cruises;
- the impact of any future increases in the price of, or major changes or reduction in, commercial airline services;
- the impact of delays, costs and other factors resulting from emergency ship repairs as well as scheduled repairs, maintenance and refurbishment of our ships;
- the delivery schedules and estimated costs of new ships on terms that are favorable or consistent with our expectations;
- the impact of problems encountered at shipyards, as well as, any potential claim, impairment loss, cancellation or breach of contract in connection with our contracts with shipyards;
- the impact of the spread of contagious diseases;
- accidents and other incidents affecting the health, safety, security and vacation satisfaction of guests or causing damage to ships, which could cause the modification of itineraries or cancellation of a cruise or series of cruises;
- our ability to obtain insurance coverage on terms that are favorable or consistent with our expectations;
- the impact of any breaches in data security or other disturbances to our information technology and other networks;
- the continued availability of attractive port destinations;
- the impact of weather and natural disasters;
- our ability to attract and retain key personnel and qualified shipboard crew, maintain good relations with employee unions, maintain or renegotiate our collective bargaining agreements on favorable terms and prevent any disruptions in work;
- the control of our Company by our Sponsors whose interests may not continue to be aligned with ours;
- changes involving the tax, environmental, health, safety, security and other regulatory regimes in which we operate;

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- increases in our future fuel expenses related to implementing IMO regulations, which require the use of higher priced low sulfur fuels in certain cruising areas;
- the implementation of regulations in the U.S. requiring U.S. citizens to obtain passports for travel to additional foreign destinations;
- the impact of pending or threatened litigation and investigations; and
- other factors set forth under “Risk Factors.”

The above examples are not exhaustive and new risks emerge from time to time. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. 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 will operate in the future. These forward-looking statements speak only as of the date of this report. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change of events, conditions or circumstances on which any such statement was based.

The interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2012, which are included in our most recently filed Annual Report on Form 10-K.

Terminology

For a reconciliation of our non-GAAP financial measures we refer you to “Results of Operations.” Unless otherwise indicated in this report, the following terms have the meanings set forth below:

- *\$750.0 million Senior Secured Revolving Credit Facility.* \$750.0 million credit agreement, dated October 28, 2009, as amended, by and among NCL Corporation Ltd., as borrower, various lenders and Nordea Bank Norge ASA, and related guarantee by Norwegian Dawn Limited, Norwegian Sun Limited, Norwegian Spirit, Ltd. and Norwegian Star Limited, which was terminated in connection with our entry into the new senior secured credit facilities.
- *\$334.1 million Norwegian Jewel loan.* \$334.1 million secured loan agreement, dated as of April 20, 2004, as amended and restated on June 21, 2013, by and among Norwegian Jewel Limited, as borrower, and a syndicate of international banks, and related guarantee by NCLC.
- *€126.1 million Norwegian Jade Term Loan.* €126.1 million Pride of Hawai‘i Credit Agreement, dated November 18, 2010, as amended and restated on June 21, 2013, by and among Pride of Hawaii LLC and a syndicate of international banks and a related guarantee by NCL Corporation Ltd.
- *€126.1 million Norwegian Jewel Term Loan.* €126.1 million Norwegian Jewel Credit Agreement, dated November 18, 2010, as amended and restated on June 21, 2013, by and among Norwegian Jewel Limited and a syndicate of international banks and a related guarantee by NCL Corporation Ltd.
- *€258.0 million Pride of America loan.* Euro 258.0 million secured loan agreement, dated as of April 4, 2003, as amended and restated on June 21, 2013, by and among Pride of America Ship Holding, LLC, as borrower, and a syndicate of international banks, and related guarantee by NCL Corporation Ltd.
- *€308.1 million Pride of Hawai‘i loan.* Euro 308.1 million Pride of Hawai‘i loan, dated as of April 20, 2004, as amended and restated on June 21, 2013, by and among Pride of Hawaii, LLC, as borrower, and a syndicate of international banks, and related guarantee by NCL Corporation Ltd.
- *€529.8 million Breakaway One Loan.* €529.8 million Breakaway One credit agreement, dated November 18, 2010, as amended, by and among Breakaway One, Ltd., as borrower, and a syndicate of international banks and a related guarantee by NCL Corporation Ltd.
- *€624.0 million Norwegian Pearl and Norwegian Gem Revolving Credit Facility.* Euro 624.0 million revolving loan facility agreement, dated October 7, 2005, as amended and restated on June 1, 2012, by and among NCL Corporation Ltd., as borrower, and a syndicate of international banks, and related guarantee by Norwegian Pearl, Ltd. and Norwegian Gem, Ltd., which was terminated in connection with our entry into the new senior secured credit facilities.
- *Adjusted EBITDA.* EBITDA adjusted for other income (expense) and other supplemental adjustments.
- *Adjusted EPS.* Diluted earnings (loss) per share adjusted for supplemental adjustments.
- *Adjusted Net Cruise Cost Excluding Fuel.* Net Cruise Cost less fuel expense adjusted for supplemental adjustments.
- *Adjusted Net Income.* Net income adjusted for supplemental adjustments.

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- *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 delivered in April 2013 and Norwegian Getaway scheduled for delivery in January 2014.
- *Breakaway/Getaway Term Loan Facilities*. €126.1 million Pride of Hawai'i Credit Agreement, dated November 18, 2010, as amended and restated on June 21, 2013, by and among Pride of Hawaii LLC and a syndicate of international banks and a related guarantee by NCL Corporation Ltd. and €126.1 million Norwegian Jewel Credit Agreement, dated November 18, 2010, as amended and restated on June 21, 2013, by and among Norwegian Jewel Limited and a syndicate of international banks and a related guarantee by NCL Corporation Ltd.
- *Breakaway Plus Class Ships*. Two ships on order with Meyer Werft for delivery in the fourth quarter of 2015 and the first quarter of 2017, respectively, which will be approximately 163,000 Gross Tons and 4,200 Berths each and will be similar in design and innovation to our Breakaway Class Ships.
- *Capacity Days*. Available Berths multiplied by the number of cruise days for the period.
- *Charter*. The hire of a ship for a specified period of time.
- *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 in order to eliminate the effects of the 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, depreciation and amortization.
- *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 = 100 cubic feet or 2.831 cubic meters.
- *Gross Yield*. Total revenue per Capacity Day.
- *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 \$.001 per share, of NCLH, which was consummated on January 24, 2013.
- *Management NCL Corporation Units*. NCLC's previously outstanding profits interests issued to management (or former management) of NCLC which have been converted into units in NCLC in connection with the Corporate Reorganization.
- *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.
- *Net Revenue*. Total revenue less commissions, transportation and other expense and onboard and other expense.
- *Net Yield*. Net Revenue per Capacity Day.
- *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.
- *Occupancy Percentage*. The ratio of Passenger Cruise Days to Capacity Days. A percentage in excess of 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.
- *Sponsors*. The Apollo Funds, the TPG Viking Funds and Genting HK.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures, such as Net Revenue, Net Yield, Net Cruise Cost, Adjusted Net Cruise Cost Excluding Fuel and Adjusted EBITDA to enable us to analyze our performance. We utilize Net Revenue and Net Yield to manage our business on a day-to-day basis and believe that they are the most relevant measures of our revenue performance because they reflect the revenue earned by us net of significant variable costs. 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.

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As our business includes the sourcing of passengers and deployment of vessels outside of North America, a portion of our revenue and expenses are denominated in foreign currencies, particularly euro and British Pound sterling, 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, is a factor in the evaluation of the performance of management and is the primary metric used in determining the Company's performance incentive bonus paid to its employees. We believe that Adjusted EBITDA is a useful measure in determining the Company's performance as it reflects certain operating drivers of the Company's 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. Adjusted EBITDA is not intended to be a measure of liquidity or cash flows from operations or measures comparable to net income as it does not take into account certain requirements such as capital expenditures and related depreciation, principal and interest payments and tax payments and it includes other supplemental adjustments.

In addition, Adjusted Net Income and Adjusted EPS are supplemental financial measures used to demonstrate GAAP net income and EPS excluding certain charges. We use Adjusted Net Income and Adjusted EPS as key performance measures of our earnings performance, and 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. These charges vary from period to period; thus, our presentation of Adjusted Net Income and Adjusted EPS may not be indicative of future adjustments or results.

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 items in our consolidated financial statements below in the "Results of Operations" section.

Financial Presentation

Revenue from our cruise and cruise-related activities are categorized by us as "passenger ticket revenue" and "onboard and other revenue." Passenger ticket revenue and onboard and other revenue vary according to 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 summer months.

Passenger ticket revenue primarily consists of revenue for accommodations, meals in certain restaurants on the ship, certain onboard entertainment, and includes revenue for service charges and air and land transportation to and from the ship to the extent passengers purchase these items from us.

Onboard and other revenue primarily consists of revenue from gaming, beverage sales, specialty dining, shore excursions, retail sales and spa services. We record onboard revenue 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 agent commissions, air and land transportation expenses, related credit card fees, costs associated with service charges and certain port expenses.
- Onboard and other primarily consists of direct costs that are incurred in connection with onboard and other revenue. These include costs incurred in connection with shore excursions, beverage sales and gaming.
- Payroll and related consists of the cost of wages and benefits for shipboard employees.
- Fuel includes fuel costs, the impact of certain fuel hedges and fuel delivery costs.
- Food consists of food costs for passengers and crew.
- Other consists of repairs and maintenance (including Dry-dock costs), ship insurance, Charter costs and other ship expenses.

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Executive Quarterly Overview

In April 2013, we took delivery of Norwegian Breakaway. To finance the payment due upon delivery, we drew \$528.0 million of our €529.8 million Breakaway One Loan which is due April 2025 and an aggregate of \$57.7 million of our €126.1 million Norwegian Jewel Term Loan and €126.1 million Norwegian Jade Term Loan both of which are due April 2016. These loans bear interest at LIBOR plus 1.6%.

In July 2013, we confirmed an order with Meyer Werft to proceed with the construction of the second Breakaway Plus Class Ship which is scheduled to be delivered in the first quarter of 2017. Along with the Breakaway Plus Class Ship which is to be delivered in the fourth quarter of 2015, these new ships will be the largest in our fleet at approximately 163,000 Gross Tons and 4,200 Berths each and will be similar in design and innovation to our Breakaway Class Ships. The combined contract cost of these Breakaway Plus Class Ships is approximately €1.4 billion, or \$1.8 billion based on the euro/U.S. dollar exchange rate as of June 30, 2013. We have export credit financing in place for these ships that provides financing for 80% of their contract price.

For the second quarter of 2013, we reported Adjusted Net Income of \$60.2 million and Adjusted EPS of \$0.29, which excludes \$69.1 million in expenses related to debt prepayments as well as non-cash share-based compensation and other expenses. On a GAAP basis, net loss attributable to Norwegian Cruise Line Holdings Ltd. and diluted loss per share were \$(8.8) million and \$(0.04), respectively.

During the quarter, we completed two refinancing transactions which strengthened our balance sheet. In the first transaction, we entered into the new senior secured credit facilities, which refinanced certain credit facilities secured by Norwegian Star, Spirit, Dawn, Pearl and Gem. In conjunction with this transaction, we redeemed the remaining \$227.5 million outstanding balance of our \$350.0 million 9.50% senior unsecured notes. The second transaction amended and restated the \$334.1 million Norwegian Jewel loan, Breakaway/Getaway Term Loan Facilities, €258.0 million Pride of America loan, and €308.1 million Pride of Hawai'i loan, to reduce applicable margins and modify certain terms and conditions. These refinancing transactions resulted in no material change in debt levels. Expenses related to the transactions, including write-off of deferred financing fees and premiums for the redemption of the senior notes, totaled \$70.1 million and are included in interest expense.

Three months ended June 30, 2013 (“2013”) compared to the three months ended June 30, 2012 (“2012”)

Total revenue increased 10.5% to \$644.4 million in 2013 compared to \$583.2 million in 2012. Net Revenue in 2013 increased 12.0% to \$482.1 million from \$430.5 million in 2012 due to an increase in Capacity Days of 8.2% primarily due to the delivery of Norwegian Breakaway in April 2013 and an increase in Net Yield of 3.5%.

Operating income in 2013 was \$95.4 million compared to \$87.0 million in 2012 and Adjusted EBITDA (we refer you to our “Results of Operations” below for a calculation of Adjusted EBITDA) improved 12.8% for the same period.

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Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue				
Passenger ticket	71.0%	71.4%	69.7%	69.9%
Onboard and other	29.0%	28.6%	30.3%	30.1%
Total revenue	100.0%	100.0%	100.0%	100.0%
Cruise operating expense				
Commissions, transportation and other	17.5%	18.6%	17.7%	18.1%
Onboard and other	7.7%	7.5%	7.8%	7.6%
Payroll and related	12.8%	12.8%	13.4%	13.4%
Fuel	11.7%	12.3%	12.7%	12.5%
Food	5.2%	5.4%	5.4%	5.7%
Other	10.4%	9.9%	9.9%	10.0%
Total cruise operating expense	65.3%	66.5%	66.9%	67.3%
Other operating expense				
Marketing, general and administrative	11.5%	10.6%	13.6%	12.1%
Depreciation and amortization	8.4%	8.0%	8.7%	8.4%
Total other operating expense	19.9%	18.6%	22.3%	20.5%
Operating income	14.8%	14.9%	10.8%	12.2%
Non-operating income (expense)				
Interest expense, net	(16.1)%	(8.4)%	(19.8)%	(8.7)%
Other income (expense)	0.1%	(0.3)%	0.2%	0.1%
Total non-operating income (expense)	(16.0)%	(8.7)%	(19.6)%	(8.6)%
Net income (loss) before income taxes	(1.2)%	6.2%	(8.8)%	3.6%
Income tax expense, net	(0.2)%	— %	(0.3)%	— %
Net income (loss)	(1.4)%	6.2%	(9.1)%	3.6%
Net income (loss) attributable to non-controlling interest	— %	— %	(0.1)%	— %
Net income (loss) attributable to Norwegian Cruise Line Holdings Ltd.	(1.4)%	6.2%	(9.0)%	3.6%

The following table sets forth selected statistical information:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Passengers carried	405,646	373,133	773,656	758,010
Passenger Cruise Days	2,763,358	2,556,575	5,291,550	5,138,262
Capacity Days	2,569,525	2,374,885	4,920,824	4,773,259
Occupancy Percentage	107.5%	107.7%	107.5%	107.6%

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Net Revenue, Gross Yield and Net Yield were calculated as follows (in thousands, except Capacity Days and Yield data):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013			2013		
	2013	Constant Currency	2012	2013	Constant Currency	2012
Passenger ticket revenue	\$ 457,619	\$ 458,546	\$ 416,219	\$ 816,547	\$ 817,306	\$ 767,549
Onboard and other revenue	186,814	186,814	167,015	355,517	355,517	331,115
Total revenue	644,433	645,360	583,234	1,172,064	1,172,823	1,098,664
Less:						
Commissions, transportation and other expense	112,985	113,219	108,694	207,564	207,751	199,309
Onboard and other expense	49,316	49,316	44,009	91,687	91,687	83,210
Net Revenue	\$ 482,132	\$ 482,825	\$ 430,531	\$ 872,813	\$ 873,385	\$ 816,145
Capacity Days	2,569,525	2,569,525	2,374,885	4,920,824	4,920,824	4,773,259
Gross Yield	\$ 250.80	\$ 251.16	\$ 245.58	\$ 238.18	\$ 238.34	\$ 230.17
Net Yield	\$ 187.63	\$ 187.90	\$ 181.28	\$ 177.37	\$ 177.49	\$ 170.98

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):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013			2013		
	2013	Constant Currency	2012	2013	Constant Currency	2012
Total cruise operating expense	\$ 421,079	\$ 421,447	\$ 387,741	\$ 783,768	\$ 784,185	\$ 739,768
Marketing, general and administrative expense	74,111	74,079	61,807	159,317	159,247	132,969
Gross Cruise Cost	495,190	495,526	449,548	943,085	943,432	872,737
Less:						
Commissions, transportation and other expense	112,985	113,219	108,694	207,564	207,751	199,309
Onboard and other expense	49,316	49,316	44,009	91,687	91,687	83,210
Net Cruise Cost	332,889	332,991	296,845	643,834	643,994	590,218
Less: Fuel expense	75,582	75,582	71,615	148,080	148,080	137,141
Net Cruise Cost Excluding Fuel	257,307	257,409	225,230	495,754	495,914	453,077
Less: Other (1)	1,923	1,923	—	20,450	20,450	—
Adjusted Net Cruise Cost Excluding Fuel	\$ 255,384	\$ 255,486	\$ 225,230	\$ 475,304	\$ 475,464	\$ 453,077
Capacity Days	2,569,525	2,569,525	2,374,885	4,920,824	4,920,824	4,773,259
Gross Cruise Cost per Capacity Day	\$ 192.72	\$ 192.85	\$ 189.29	\$ 191.65	\$ 191.72	\$ 182.84
Net Cruise Cost per Capacity Day	\$ 129.55	\$ 129.59	\$ 124.99	\$ 130.84	\$ 130.87	\$ 123.65
Net Cruise Cost Excluding Fuel per Capacity Day	\$ 100.14	\$ 100.18	\$ 94.84	\$ 100.75	\$ 100.78	\$ 94.92
Adjusted Net Cruise Cost Excluding Fuel per Capacity Day	\$ 99.39	\$ 99.43	\$ 94.84	\$ 96.59	\$ 96.62	\$ 94.92

(1) Consists of non-cash share-based compensation related to the IPO and other supplemental adjustments.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income (loss) attributable to Norwegian Cruise Line Holdings Ltd.	\$ (8,841)	\$ 36,031	\$ (105,236)	\$ 39,315
Net loss attributable to non-controlling interest	(74)	—	(1,179)	—
Net income (loss)	(8,915)	36,031	(106,415)	39,315
Non-cash share-based compensation related to IPO	—	—	18,527	—
Non-cash compensation	509	—	509	—
Taxes related to changes in corporate structure and debt prepayments, net	(1,446)	—	(70)	—
Expenses related to debt prepayments (1)	70,068	—	160,573	—
Adjusted Net Income	\$ 60,216	\$ 36,031	\$ 73,124	\$ 39,315
Diluted weighted-average shares outstanding – Net income (loss)	203,997,492(2)	178,949,924	201,189,562(3)	178,961,249
Diluted weighted-average shares outstanding – Adjusted Net Income	210,726,281	178,949,924	207,514,700	178,961,249
Diluted earnings (loss) per share	\$ (0.04)	\$ 0.20	\$ (0.52)	\$ 0.22
Adjusted EPS	\$ 0.29	\$ 0.20	\$ 0.35	\$ 0.22

(1) Consists of premiums, write-offs of deferred fees and other expenses related to prepayments of debt.

(2) Due to a net loss, excludes 6,728,789 shares, as including these would be antidilutive.

(3) Due to a net loss, excludes 6,325,138 shares, as including these would be antidilutive.

Adjusted EBITDA was calculated as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income (loss) attributable to Norwegian Cruise Line Holdings Ltd.	\$ (8,841)	\$ 36,031	\$ (105,236)	\$ 39,315
Interest expense, net	103,686	48,905	231,342	95,075
Income tax expense, net	1,047	71	3,244	146
Depreciation and amortization expense	53,854	46,680	102,602	92,477
EBITDA	149,746	131,687	231,952	227,013
Non-controlling interest	(74)	—	(1,179)	—
Other (income) expense	(429)	1,999	(1,794)	(1,086)
Non-cash compensation and other	3,092	1,372	4,589	2,672
Non-cash share-based compensation related to IPO	—	—	18,527	—
Adjusted EBITDA	\$ 152,335	\$ 135,058	\$ 252,095	\$ 228,599

Three months ended June 30, 2013 (“2013”) compared to three months ended June 30, 2012 (“2012”)

Revenue

Total revenue increased 10.5% to \$644.4 million in 2013 compared to \$583.2 million in 2012. Net Revenue increased 12.0% in 2013, due to an increase in Capacity Days of 8.2% primarily due to the delivery of Norwegian Breakaway in April 2013, partially offset by planned Dry-docks for Pride of America and Norwegian Pearl, and an increase in Net Yield of 3.5%. The increase in Net Yield was due to an increase in net passenger ticket revenue and onboard and other revenue, which was primarily due to an increase in casino revenue. On a Constant Currency basis, Net Yield increased 3.7% in 2013 compared to 2012.

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Expense

Total cruise operating expense increased 8.6% in 2013 compared to 2012 primarily due to the increase in Capacity Days discussed above and expenses related to planned Dry-docks and inaugural expenses related to the launch of Norwegian Breakaway. Total other operating expense increased 18.0% in 2013 compared to 2012 primarily due to the timing of certain expenses and depreciation expense related to the addition of Norwegian Breakaway. On a Capacity Day basis, Net Cruise Cost increased 3.6% and 3.7% on an as reported and Constant Currency basis, respectively, due to the increase in Capacity Days and expenses discussed above. Adjusted Net Cruise Cost Excluding Fuel per Capacity Day increased 4.8% on an as reported and Constant Currency basis mainly due to the timing of certain expenses.

Interest expense, net increased to \$103.7 million in 2013 from \$48.9 million in 2012 primarily due to \$70.1 million of expenses associated with debt prepayments partially offset by lower interest rates.

Six months ended June 30, 2013 (“2013”) compared to six months ended June 30, 2012 (“2012”)

Revenue

Total revenue increased 6.7% to \$1.2 billion in 2013 compared to \$1.1 billion in 2012. Net Revenue increased 6.9% in 2013, due to an increase in Net Yield of 3.7% and an increase in Capacity Days of 3.1% related to the delivery of Norwegian Breakaway in April 2013. The increase in Net Yield was due to an increase in net passenger ticket revenue and onboard and other revenue primarily due to an increase in beverage sales. On a Constant Currency basis, Net Yield increased 3.8% in 2013 compared to 2012.

Expense

Total cruise operating expense increased 5.9% in 2013 compared to 2012 primarily due to an increase in expenses related to planned Dry-docks, inaugural expenses related to the launch of Norwegian Breakaway and fuel expense, partially offset by the timing of certain expenses. The increase in fuel expense was primarily the result of a 6.3% increase in the average fuel price to \$680 per metric ton in 2013 from \$640 per metric ton in 2012. Total other operating expense increased 16.2% in 2013 compared to 2012 primarily due to non-cash expenses related to share-based compensation recognized upon the realization of the IPO, the timing of certain expenses and the depreciation expense related to the addition of Norwegian Breakaway. On a Capacity Day basis, Net Cruise Cost increased 5.8% on both an as reported and Constant Currency basis due to the expenses discussed above. Adjusted Net Cruise Cost Excluding Fuel per Capacity Day increased 1.8% on an as reported and Constant Currency basis mainly due to the timing of certain expenses.

Interest expense, net increased to \$231.3 million in 2013 from \$95.1 million in 2012 primarily due to \$160.6 million of expenses associated with debt prepayments partially offset by lower interest rates.

Income tax expense, net for the six months ended June 30, 2013 was \$3.2 million which consists of a one-time expense of \$4.2 million due to a change in U.S. tax status from a partnership to a corporation in connection with our recent IPO, a benefit of \$5.0 million in connection with our prepayments of debt, and a \$4.0 million expense from our U.S. operations.

Liquidity and Capital Resources

General

As of June 30, 2013, our liquidity was \$499.8 million consisting of \$82.8 million in cash and cash equivalents and \$417.0 million available under our revolving credit facility. Our primary ongoing liquidity requirements are to finance working capital, capital expenditures and debt service.

As of June 30, 2013, we had a working capital deficit of \$970.1 million. This deficit included \$542.6 million of advance ticket sales, which represents the passenger revenues 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 revolving credit facility, allows us to operate with a working capital deficit and still meet our operating, investing and financing needs.

Sources and Uses of Cash

In this section, references to “2013” refer to the six months ended June 30, 2013 and references to “2012” refer to the six months ended June 30, 2012.

Net cash provided by operating activities was \$252.8 million in 2013 as compared to \$255.8 million in 2012. The change in net cash provided by operating activities reflects the loss in 2013 of \$106.4 million which includes fees of \$124.2 million related to prepayment of debt compared to income of \$39.3 million in 2012, as well as timing differences in cash receipts and payments relating to operating assets and liabilities. The 2012 balance included \$6.0 million related to the premium received from the issuance of \$100.0 million of senior unsecured notes.

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Net cash used in investing activities was \$759.0 million in 2013 and \$175.0 million in 2012, primarily related to the payments for construction and delivery of Norwegian Breakaway and construction of Norwegian Getaway, as well as other ship improvements and shoreside projects. Net cash used in investing activities was \$175.0 million in 2012, primarily related to the payments for construction of Norwegian Breakaway and Norwegian Getaway, the purchase of Norwegian Sky, and other ship improvements and shoreside projects.

Net cash provided by financing activities was \$543.6 million in 2013, primarily due to the issuance of our \$300.0 million 5% senior notes due 2018 as well as borrowings under other credit facilities and the proceeds from the issuance of ordinary shares partially offset by repayments of our \$450.0 million 11.75% senior secured notes due 2016 and revolving credit facilities and a payment related to Norwegian Sky purchase agreement. Net cash used in financing activities was \$74.0 million in 2012, primarily due to repayments of our revolving credit facilities and other borrowings which were partially offset by the issuance of \$100.0 million of senior unsecured notes.

Future Capital Commitments

Future capital commitments consist of contracted commitments, including future expected capital expenditures for business enhancements and ship construction contracts. As of June 30, 2013, anticipated capital expenditures for business enhancements were \$40.5 million for the remainder of 2013, and \$83.0 million for each of the years 2014 and 2015. As of June 30, 2013, anticipated capital expenditures for ship construction were \$42.8 million for the remainder of 2013, \$747.9 million for 2014 and \$799.3 million for 2015, of which export credit financing is in place of \$667.6 million for 2014 and \$630.3 million for 2015, based on the euro/U.S. dollar exchange rate as of June 30, 2013.

Norwegian Getaway is under construction with Meyer Werft and is scheduled for delivery in January 2014. This ship will be approximately 144,000 Gross Tons with 4,000 Berths at an aggregate cost of approximately €625.9 million, or \$814.3 million based on the euro/U.S. dollar exchange rate as of June 30, 2013. We have export credit financing in place for this ship that provides financing for 90% of its contract price.

We have also ordered two additional cruise ships from Meyer Werft for delivery in the fourth quarter of 2015 and first quarter of 2017. The new Breakaway Plus Class Ships will be the largest in our fleet at approximately 163,000 Gross Tons and 4,200 Berths each and will be similar in design and innovation to our Breakaway Class Ships. The combined contract cost of the two Breakaway Plus Class Ships is approximately €1.4 billion, or \$1.8 billion based on the euro/U.S. dollar exchange rate as of June 30, 2013. We have export credit financing in place for these ships that provides financing for 80% of their contract price.

In connection with the contracts to build these ships, we do not anticipate any contractual breaches or cancellation to occur. However, if any would occur, it could result in, among other things, the forfeiture of prior deposits or payments made by us, subject to certain refund guarantees, and potential claims and impairment losses which may materially impact our business, financial condition and results of operations.

Capitalized interest for the three months ended June 30, 2013 and 2012 was \$5.6 million and \$5.3 million, respectively, and for the six months ended June 30, 2013 and 2012 was \$13.1 million and \$10.0 million, respectively, associated with the construction of Norwegian Breakaway and Norwegian Getaway.

Off-Balance Sheet Transactions

None.

Contractual Obligations

As of June 30, 2013, our contractual obligations, with initial or remaining terms in excess of one year, including interest payments on long-term debt obligations, were as follows (in thousands):

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>
Long-term debt (1)	\$3,191,210	\$ 272,644	\$ 622,935	\$1,476,611	\$819,020
Due to Affiliate (2)	110,340	37,064	73,276	—	—
Operating leases (3)	34,583	6,299	10,770	9,684	7,830
Ship construction contracts (4)	1,544,626	708,733	835,893	—	—
Port facilities (5)	188,426	26,263	52,304	48,939	60,920
Interest (6)	397,069	76,556	137,730	112,808	69,975
Other (7)	55,717	33,667	19,034	2,367	649
Total	<u>\$5,521,971</u>	<u>\$1,161,226</u>	<u>\$1,751,942</u>	<u>\$1,650,409</u>	<u>\$958,394</u>

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- (1) Net of unamortized original issue discount of \$1.5 million. Also includes capital leases.
- (2) Primarily related to the purchase of Norwegian Sky.
- (3) Primarily for offices, motor vehicles and office equipment.
- (4) For Norwegian Getaway and our first Breakaway Plus Class Ship based on the euro/U.S. dollar exchange rate as of June 30, 2013. Export credit financing is in place from a syndicate of banks.
- (5) Primarily for our usage of certain port facilities.
- (6) Includes fixed and variable rates with LIBOR held constant as of June 30, 2013.
- (7) Future commitments for service and maintenance contracts.

Other

Certain of our service providers have required collateral in the normal course of our business including liens on certain of our ships. 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 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.

Funding Sources

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, maintain certain other ratios and restrict our ability to pay dividends. Our ships and substantially all other property and equipment are pledged as collateral for our debt. We believe we were in compliance with these covenants as of June 30, 2013.

The impact of changes in world economies and especially the global credit markets has created a challenging environment and may reduce future consumer demand for cruises and adversely affect our counterparty credit risks. In the event this environment deteriorates, our business, financial condition and results of operations could be adversely impacted.

We believe our cash on hand, expected future operating cash inflows, additional available borrowings under our existing credit facilities and our ability to issue debt securities or raise additional equity, will be sufficient to fund operations, debt payment requirements, capital expenditures and maintain compliance with covenants under our debt agreements over the next twelve-month period. As a result of the equity infusion from the IPO and the related use of proceeds, our leverage was improved and our balance sheet was strengthened. There is no assurance that cash flows from operations and additional financings will be available in the future to fund our future obligations.

Item 3. 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 amount, 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

From time to time, we consider entering into interest rate swap agreements to modify our exposure to interest rate movements and to manage our interest expense. As of June 30, 2013, 15% of our debt was fixed and 85% was variable. Based on our June 30, 2013 outstanding variable rate debt balance, a one percentage point increase in annual LIBOR interest rates would increase our annual interest expense by approximately \$27.1 million excluding the effects of capitalization of interest.

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Foreign Currency Exchange Rate Risk

As of June 30, 2013, we had foreign currency options, including call options with deferred premiums and a collar, and foreign currency forward contracts 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 final payments on our ship construction contracts. For the call option contracts, if the spot rate at the date the ships are delivered is less than the strike price we would pay the deferred premiums and not exercise the options. For the collar, if the spot rate at the date the ships are delivered is more than the put option strike price and less than the call option strike price, neither the put or call option will be exercised. As of June 30, 2013, the remaining payments not hedged aggregate €912.3 million, or \$1,186.9 million based on the euro/U.S. dollar exchange rate as of June 30, 2013. We estimate that a 10% change in the euro as of June 30, 2013 would result in a \$118.7 million 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 17.9% and 18.5% for the three months ended June 30, 2013 and 2012 and 18.9% and 18.5% for the six months ended June 30, 2013 and 2012, respectively. From time to time, we use fuel derivative agreements to mitigate the financial impact of fluctuations in fuel prices. As of June 30, 2013, we had hedged approximately 93%, 63% and 51% of our 2013, 2014 and 2015 projected metric tons of fuel purchases, respectively. We estimate that a 10% increase in our weighted-average fuel price would increase our anticipated 2013 fuel expense by \$14.4 million. This increase would be partially offset by an increase in the fair value of our fuel swap agreements and fuel collars and options of \$12.1 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 4. 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 of June 30, 2013. 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 our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, 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.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2013 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In July 2009, a class action complaint was filed against NCL (Bahamas) Ltd. in the United States District Court, Southern District of Florida, on behalf of a purported class of crew members alleging inappropriate deductions of their wages pursuant to the Seaman's Wage Act and wrongful termination resulting in a loss of retirement benefits. In December 2010, the Court denied the plaintiffs' Motion for Class Certification. In February 2011, the plaintiffs filed a Motion for Reconsideration as to the Court's Order on Class Certification which was denied. The Court tried six individual plaintiffs' claims, and in September 2012 awarded wages aggregating approximately \$100,000 to such plaintiffs. The plaintiffs have filed an appeal of the Court's decision in the individual actions as well as the denial of the Class Certification. We intend to vigorously defend this appeal and are not able at this time to estimate the impact of these proceedings.

In May 2011, a class action complaint was filed against NCL (Bahamas) Ltd. in the United States District Court, Southern District of Florida, on behalf of a purported class of crew members alleging inappropriate deductions of their wages pursuant to the Seaman's Wage Act and breach of contract. In July 2012, this action was stayed by the Court pending the outcome of the litigation commenced with the class action complaint filed in July 2009. We are vigorously defending this action and are not able at this time to estimate the impact of these proceedings.

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. We intend to vigorously defend our legal position on all claims and, to the extent necessary, seek recovery.

Item 1A. Risk Factors

We refer you to our Annual Report on Form 10-K for a discussion of the risk factors that affect our business and financial results. There has been no material change to these risk factors.

Item 6. Exhibits

- 10.1 Amended and Restated Employment Agreement by and between NCL (Bahamas) Ltd. and Kevin M. Sheehan, entered into on June 6, 2013 and effective on April 1, 2013*+
- 10.2 Form of Director Restricted Share Award Agreement *+
- 10.3 Credit Agreement dated as of May 24, 2013, by and among NCL Corporation Ltd., Deutsche Bank Trust Company Americas, as administrative agent and as collateral agent, DNB Bank ASA and Nordea Bank Finland Plc, New York Branch, as co-syndication agents, and a syndicate of other banks party thereto as joint bookrunners, arrangers, co-documentation agents and lenders (incorporated herein by reference to Exhibit 10.1 on Norwegian Cruise Line Holdings Ltd.'s report on Form 8-K/A filed on July 11, 2013 (File No. 001-35784))++
- 10.4 Third Supplemental Deed, dated June 21, 2013 to €126.1 million Pride of Hawaii'i Credit Agreement dated as of November 18, 2010 (as amended), by and among Pride of Hawaii, LLC, NCL Corporation Ltd., as guarantor, KFW IPEX-Bank GmbH, as facility agent, collateral agent and Hermes agent, and a syndicate of financial institutions party thereto as lenders. (incorporated herein by reference to Exhibit 10.1 on Norwegian Cruise Line Holdings Ltd.'s report on Form 8-K/A filed on July 11, 2013 (File No. 001-35784))++
- 10.5 Third Supplemental Deed, dated June 21, 2013 to €126.1 million Norwegian Jewel Credit Agreement dated as of November 18, 2010 (as amended), by and among Norwegian Jewel Limited, NCL Corporation Ltd., as guarantor, KFW IPEX-Bank GmbH, as facility agent and collateral agent, Commerzbank Aktiengesellschaft, as the Hermes Agent, and a syndicate of financial institutions party thereto as lenders (incorporated herein by reference to Exhibit 10.2 on Norwegian Cruise Line Holdings Ltd.'s report on Form 8-K/A filed on July 11, 2013 (File No. 001-35784))++

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- 10.6 Thirteenth Supplemental Deed, dated June 21, 2013, to €258.0 million Pride of America Loan dated as of April 4, 2003 (as amended), by and among Pride of America Ship Holding, LLC, NCL Corporation Ltd., as guarantor, NCL America Holdings, LLC, as shareholder, NCL America LLC, as manager, NCL (Bahamas) Ltd., as Sub-Agent, HSBC Bank PLC, as agent and trustee, KFW IPEX-Bank GmbH, as Hermes agent, and a syndicate of financial institutions party thereto as lenders (incorporated herein by reference to Exhibit 10.3 on Norwegian Cruise Line Holdings Ltd.'s report on Form 8-K/A filed on July 11, 2013 (File No. 001-35784))++
- 10.7 Eleventh Supplemental Deed, dated June 21, 2013, to €308.0 million Pride of Hawai'i Loan dated as of April 20, 2004 (as amended), by and among Pride of Hawaii, LLC, NCL Corporation Ltd., as guarantor, NCL America Holdings, LLC, as shareholder, NCL (Bahamas) Ltd., as bareboat charterer, HSBC Bank PLC, as agent and trustee, KFW IPEX-Bank GmbH, as Hermes agent, and a syndicate of financial institutions party thereto as lenders (incorporated herein by reference to Exhibit 10.4 on Norwegian Cruise Line Holdings Ltd.'s report on Form 8-K/A filed on July 11, 2013 (File No. 001-35784))++
- 10.8 Ninth Supplemental Deed, dated June 21, 2013 to \$334.1 million Norwegian Jewel Loan dated as of April 20, 2004 (as amended), by and among Norwegian Jewel Limited, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder, NCL (Bahamas) Ltd., as manager, HSBC Bank PLC, as agent and trustee, Commerzbank Aktiengesellschaft, as Hermes agent, and a syndicate of financial institutions party thereto as lenders (incorporated herein by reference to Exhibit 10.5 on Norwegian Cruise Line Holdings Ltd.'s report on Form 8-K/A filed on July 11, 2013 (File No. 001-35784))++
- 31.1 Certification of the President and Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934*
- 31.2 Certification of the Executive Vice President and Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934*
- 32.1 Certifications of the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code**
- * Filed herewith
- ** Furnished herewith
- + Management contract or compensatory plan
- ++ Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the SEC.

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Interactive Data File

101 The following unaudited financial statements are from Norwegian Cruise Line Holdings Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, as filed with the SEC on July 30, 2013, formatted in XBRL, as follows:

- (i) the Consolidated Statements of Operations for the three and six months ended June 30, 2013 and 2012;
- (ii) the Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2013 and 2012;
- (iii) the Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012;
- (iv) the Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and 2012;
- (v) the Consolidated Statements of Changes in Shareholder's Equity; and
- (vi) the Notes to the Consolidated Financial Statements, tagged in summary and detail.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORWEGIAN CRUISE LINE HOLDINGS LTD.
(Registrant)

By: /s/ KEVIN M. SHEEHAN
Name: Kevin M. Sheehan
Title: President and Chief Executive Officer

By: /s/ WENDY A. BECK
Name: Wendy A. Beck
Title: Executive Vice President and Chief Financial Officer

Date: July 30, 2013

**AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into this 6th day of June, 2013, and is effective as of April 1, 2013, by and between NCL (Bahamas) Ltd., a company organized under the laws of Bermuda (the "Company"), and Kevin Sheehan (the "Executive").

RECITALS

THE PARTIES ENTER THIS AGREEMENT on the basis of the following facts, understandings and intentions:

A. The Executive has been employed by the Company and its affiliates pursuant to an Employment Agreement, effective as of November 6, 2008, by and between the Company and the Executive and the Company and the Executive now desire to amend and restate this Employment Agreement.

B. The Company desires to offer the Executive the benefits set forth in this Agreement and provide for the services of the Executive on the terms and conditions set forth in this Agreement.

C. The Executive desires to continue to be employed by the Company on the terms and conditions set forth in this Agreement.

D. This Agreement shall govern the employment relationship between the Executive and the Company and all of its affiliates from and after the date hereof.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals incorporated herein and the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties agree as follows:

1. Retention and Duties.

1.1 Retention. The Company does hereby agree to employ the Executive for the Period of Employment (as such term is defined in Section 2) on the terms and conditions expressly set forth in this Agreement. The Executive does hereby accept and agree to such employment, on the terms and conditions expressly set forth in this Agreement.

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- 1.2 **Duties.** During the Period of Employment, the Executive shall serve the Company as its Chief Executive Officer and shall have the powers, authorities, duties and obligations of management usually vested in such position for a company of a similar size and similar nature as the Company, and such other powers, authorities, duties and obligations commensurate with such position as the Company's Board of Directors (the "Board") may assign from time to time, all subject to the directives of the Board and the corporate policies of the Company as they are in effect from time to time throughout the Period of Employment (including, without limitation, the Company's Code of Ethical Business Conduct policy, as it may change from time to time). During the Period of Employment, the Executive shall report directly to the Board. During the Period of Employment, the Executive shall also be expected to perform services for Norwegian Cruise Line Holdings Ltd., a company organized under the laws of Bermuda (the "Parent").
- 1.3 **No Other Employment; Minimum Time Commitment.** During the Period of Employment, the Executive shall (i) devote substantially all of the Executive's business time, energy and skill to the performance of the Executive's duties for the Company, (ii) perform such duties in a faithful, effective and efficient manner to the best of his abilities, and (iii) hold no other employment. The Executive's service on the boards of directors (or similar body) of other business entities is subject to the approval of the Board, provided that the Executive shall be permitted to serve on two boards of directors (or similar bodies) during the Period of Employment, subject to the Company's rights to require the Executive's resignation pursuant to the following sentence. The Company shall have the right to require the Executive to resign from any board or similar body (including, without limitation, any association, corporate, civic or charitable board or similar body) which he may then serve if the Board reasonably determines that the Executive's service on such board or body materially interferes with the effective discharge of the Executive's duties and responsibilities to the Company or that any business related to such service is then in competition with any business of the Company or any of its Affiliates (as such term is defined in Section 5.5), successors or assigns.

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- 1.4 No Breach of Contract.** The Executive hereby represents to the Company that: (i) the execution and delivery of this Agreement by the Executive and the Company and the performance by the Executive of the Executive's duties hereunder do not and shall not constitute a breach of, conflict with, or otherwise contravene or cause a default under, the terms of any other agreement or policy to which the Executive is a party or otherwise bound or any judgment, order or decree to which the Executive is subject; (ii) that the Executive has no information (including, without limitation, confidential information and trade secrets) relating to any other Person (as such term is defined in Section 5.5) which would prevent, or be violated by, the Executive entering into this Agreement or carrying out his duties hereunder; (iii) the Executive is not bound by any employment, consulting, non-compete, confidentiality, trade secret or similar agreement (other than this Agreement) with any other Person; and (iv) the Executive understands the Company will rely upon the accuracy and truth of the representations and warranties of the Executive set forth herein and the Executive consents to such reliance.
- 1.5 Location.** During the Period of Employment, the Executive's principal place of employment shall be the Company's principal executive office as it may be located from time to time. The Executive agrees that he will be regularly present at the Company's principal executive office. The Executive acknowledges that he will be required to travel from time to time in the course of performing Executive's duties for the Company.
- 2. Period of Employment.** The "Period of Employment" shall be a period of three years commencing on April 1, 2013 (the "Effective Date") and ending immediately prior to the third anniversary of the Effective Date. On each of the first and second anniversaries of the Effective Date, the Period of Employment shall be automatically extended for one (1) additional year unless the parties do not mutually agree on either such extension and any objecting party provides written notice to the other party at least ten (10) days prior to the applicable anniversary date (such notice to be delivered in accordance with Section 18). The term "Period of Employment" shall include any extension thereof pursuant to the preceding sentence. Notwithstanding the foregoing, the Period of Employment is subject to earlier termination as provided below in this Agreement.

3. **Compensation.**

- 3.1 **Base Salary.** During the Period of Employment, the Company shall pay the Executive a base salary (the "**Base Salary**"), which shall be paid biweekly or in such other installments as shall be consistent with the Company's regular payroll practices in effect from time to time. The Executive's Base Salary shall be at an annualized rate of one million and five hundred and fifty thousand dollars (\$1,550,000.00). On each anniversary of the Effective Date during the Period of Employment, the Base Salary shall automatically increase by 5%, so that the Base Salary shall be equal to 105% of the Base Salary payable immediately prior to the applicable anniversary of the Effective Date.
- 3.2 **Incentive Bonus.** The Executive shall be eligible to receive an incentive bonus for each fiscal year of the Company that occurs during the Period of Employment ("**Incentive Bonus**"); provided that the Executive must be employed by the Company at the time the Company pays the Incentive Bonus with respect to any such fiscal year in order to be eligible for an Incentive Bonus with respect to that fiscal year (and, if the Executive is not so employed at such time, in no event shall he have been considered to have "earned" any Incentive Bonus with respect to the fiscal year in question). The Executive's target Incentive Bonus amount for a particular fiscal year of the Company shall be equal to 100% of the Executive's Base Salary paid by the Company to the Executive for that fiscal year (the "**Target Bonus**"); provided that the Executive's actual Incentive Bonus amount for a particular fiscal year shall be determined by the Compensation Committee of the Board (the "**Compensation Committee**") in its sole discretion, based on performance objectives (which may include corporate, business unit or division, financial, strategic, individual or other objectives) established with respect to that particular fiscal year by the Compensation Committee.

3.3 Equity Award. As soon as practicable after the date hereof, the Parent will grant the Executive an award of five hundred thousand (500,000) non-qualified stock options to acquire the Parent's ordinary shares under the Parent's 2013 Performance Incentive Plan (together with any successor equity incentive plan, the "Parent Equity Plan"). On or as soon as practicable following each anniversary of the Effective Date during the Period of Employment, the Parent will grant the Executive an award of five hundred thousand (500,000) non-qualified stock options to acquire the Parent's ordinary shares under the Parent Equity Plan. All stock options granted pursuant to this Section 3.3 shall (i) have an exercise price equal to the closing market price of the Parent's ordinary shares on the date of grant, (ii) have an ordinary term of ten (10) years (which is subject to earlier termination in accordance with the terms of the Parent Equity Plan), (iii) subject to the Executive's continued employment through each vesting date, vest in four equal annual installments on each of the first four anniversaries of the Effective Date following the date of grant (and, for the avoidance of doubt, in the event the Period of Employment expires immediately prior to any anniversary of an Effective Date pursuant to Section 2, any installment of the stock options scheduled to vest on such anniversary of the Effective Date shall vest upon the expiration of the Period of Employment), and (iv) be subject to the terms of the Parent Equity Plan and the option agreement in the Parent's customary form evidencing the awards. The number of ordinary shares subject to the stock options to be granted pursuant to this Section 3.3 is subject to equitable and proportional adjustments to reflect stock splits, stock dividends, mergers, combinations and similar extraordinary corporate transactions in a manner consistent with the terms of the Parent Equity Plan.

4. Benefits.

4.1 Retirement, Welfare and Fringe Benefits. During the Period of Employment, the Executive shall be entitled to participate, on a basis generally consistent with other top executives of the Company, in all employee pension and welfare benefit plans and programs, all fringe benefit plans and programs and all other benefit plans and programs (including those providing for perquisites or similar benefits) that are made available by the Company to the Company's top executives generally, in accordance with the eligibility and participation provisions of such plans and as such plans or programs may be in effect from time to time.

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- 4.2 **Supplemental Medical Care Plan.** During the Period of Employment, the Company will provide the Executive, and the Executive's spouse and dependent children, with a supplemental medical reimbursement plan, subject to the terms and conditions of such plan. Reimbursement under said plan shall be limited to a maximum of fifteen thousand dollars (\$15,000) in any calendar year.
- 4.3 **Company Automobile.** During the Period of Employment, the Executive shall be eligible for an automobile or in lieu of a company automobile, a cash car allowance of up to \$2,250.00 per month to be provided by the Company, in accordance with the Company's policy as in effect from time to time. In the event the Executive elects to receive a company automobile in accordance with the Company's policy, the Executive shall be responsible for the income tax attributable to the Executive's personal use of the company automobile benefits set forth in this paragraph.
- 4.4 **Reimbursement of Business Expenses.** The Executive is authorized to incur reasonable expenses in carrying out the Executive's duties for the Company under this Agreement and shall be entitled to reimbursement for all reasonable business expenses the Executive incurs during the Period of Employment in connection with carrying out the Executive's duties for the Company, subject to the Company's expense reimbursement policies and any pre-approval policies in effect from time to time.
- 4.5 **Vacation and Other Leave.** During the Period of Employment, the Executive's annual rate of vacation accrual shall be four (4) weeks per year; provided that such vacation shall accrue on a bi-weekly basis in accordance with the Company's regular payroll cycle and be subject to the Company's vacation policies in effect from time to time. The Executive shall also be entitled to all other holiday and leave pay generally available to other executives of the Company.
5. **Termination.**
- 5.1 **Termination by the Company.** The Executive's employment by the Company, and the Period of Employment, may be terminated at any time by the Company: (i) with Cause (as such term is defined in Section 5.5), or (ii) without Cause, or (iii) in the event of the Executive's death, or (iv) in the event that the Board determines in good faith that the Executive has a Disability (as such term is defined in Section 5.5).

5.2 Termination by the Executive. The Executive's employment by the Company, and the Period of Employment, may be terminated by the Executive with no less than ninety (90) days advance written notice to the Company (such notice to be delivered in accordance with Section 18); provided, however, that in the case of a Constructive Termination, the Executive may provide immediate written notice of termination once the applicable cure period (as contemplated by the definition of Constructive Termination) has lapsed if the Company has not reasonably cured the circumstances that gave rise to the basis for the Constructive Termination.

5.3 Benefits Upon Termination. If the Executive's employment by the Company is terminated during the Period of Employment for any reason by the Company or by the Executive, or upon or following the expiration of the Period of Employment (in any case, the date that the Executive's employment by the Company terminates is referred to as the "Severance Date"), the Company shall have no further obligation to make or provide to the Executive, and the Executive shall have no further right to receive or obtain from the Company, any payments or benefits except as follows:

(a) The Company shall pay the Executive (or, in the event of his death, the Executive's estate) any Accrued Obligations (as such term is defined in Section 5.5);

(b) If, during the Period of Employment, the Executive's employment with the Company terminates as a result of an Involuntary Termination (as such term is defined in Section 5.5), the Executive shall be entitled to the following benefits:

(i) The Company shall pay the Executive (in addition to the Accrued Obligations), subject to tax withholding and other authorized deductions, a lump-sum amount within 10 days after the sixty (60) day anniversary of the Executive's Separation from Service equal to two times the sum of (i) his Base Salary at the annualized rate in effect on the Severance Date and (ii) his Target Bonus for the year in which the Severance Date occurs. Such amount is referred to hereinafter as the "Severance Benefit."

(ii) The Company shall provide the Executive and his eligible dependents continued medical and dental coverage on substantially the same terms and conditions then generally provided to active employees of the Company (including the terms requiring employees to pay a portion of the applicable premiums) commencing with the day following the day on which the Executive's Separation from Service occurs and continuing until the earlier of (A) the end of the month in which the Executive attains the age of 65, (B) the date of the Executive's death, (C) the date the Executive becomes eligible for Medicare benefits under the Social Security Act or (D) the date the Executive becomes eligible for coverage under the health plan of a future employer, provided that to the extent such

medical or dental coverage cannot reasonably be provided under the Company's plans for any particular month in such period and the Company cannot or does not make other arrangements to provide such coverage, the Company shall pay the Executive a cash amount in such month equal to the Company's cost of providing such coverage for such month. Such continued medical and dental coverage shall only be provided to the Executive and/or any of his covered dependents during periods of time that they are residing in the United States.

(c) If, during the Period of Employment, the Executive's employment with the Company is terminated by the Company without Cause or as a result of a Constructive Termination, then the Executive shall be entitled to receive (1) full accelerated vesting of all then outstanding and unvested stock options granted to the Executive pursuant to Section 3.3 and (2) the same accelerated vesting rights with respect to the Executive's unvested units in NCL Corporation Ltd. specified in the version of this Employment Agreement that was effective as of November 6, 2008.

(d) Notwithstanding the foregoing provisions of this Section 5.3, if the Executive breaches his obligations under Section 6 of this Agreement at any time, from and after the date of such breach and not in any way in limitation of any right or remedy otherwise available to the Company, the Executive will no longer be entitled to, and the Company will no longer be obligated to pay, any remaining unpaid portion of the Severance Benefit or to any continued Company-paid or reimbursed coverage pursuant to Section 5.3(b)(ii); provided that, if the Executive provides the release contemplated by Section 5.4, in no event shall the Executive be entitled to a Severance Benefit payment of less than \$5,000, which amount the parties agree is good and adequate consideration, in and of itself, for the Executive's release contemplated by Section 5.4.

(e) The foregoing provisions of this Section 5.3 shall not affect: (i) the Executive's receipt of benefits otherwise due terminated employees under group insurance coverage consistent with the terms of the applicable Company welfare benefit plan; or (ii) the Executive's rights under COBRA to continue participation in medical, dental, hospitalization and life insurance coverage.

5.4 Release; Exclusive Remedy.

(a) This Section 5.4 shall apply notwithstanding anything else contained in this Agreement or any stock option or other equity-based award agreement to the contrary. As a condition precedent to any Company obligation to the Executive to pay the Severance Benefit pursuant to Section 5.3(b) or under 5.3(c) or any other obligation to accelerate vesting of any equity-based award in connection with the termination of the Executive's employment, the Executive shall, upon or promptly following his last day of employment with the Company (and in any event within twenty-one (21) days following the Executive's last day of employment, or such longer period of time as may be required under applicable law), execute a general release agreement in substantially the form of Exhibit A (with such amendments that may be necessary to ensure the release is enforceable to the fullest extent permissible under then applicable law), and such release agreement shall have not been revoked by the Executive pursuant to any revocation rights afforded by applicable law.

(b) The Executive agrees that the payments and benefits contemplated by Section 5.3 (and any applicable acceleration of vesting of an equity-based award in accordance with the terms of such award in connection with the termination of the Executive's employment) shall constitute the exclusive and sole remedy for any termination of his employment and the Executive covenants not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment. The Company and the Executive acknowledge and agree that there is no duty of the Executive to mitigate damages under this Agreement. All amounts paid to the Executive pursuant to Section 5.3 shall be paid without regard to whether the Executive has taken or takes actions to mitigate damages. The Executive agrees to resign, on the Severance Date, as an officer and director of the Company and any Affiliate of the Company, and as a fiduciary of any benefit plan of the Company or any Affiliate of the Company, and to promptly execute and provide to the Company any further documentation, as requested by the Company, to confirm such resignation.

5.5 Certain Defined Terms.

(a) As used herein, "Accrued Obligations" means:

- (i) any Base Salary that had accrued but had not been paid (including accrued and unpaid vacation time) on or before the Severance Date; and
- (ii) any Incentive Bonus payable pursuant to Section 3.2 with respect to any fiscal year in the Period of Employment preceding the fiscal year in

which the Severance Date occurs, if the Company had paid bonuses generally with respect to such fiscal year on or prior to the Severance Date but had not previously paid any Incentive Bonus due to the Executive with respect to such fiscal year; and

(iii) any reimbursement due to the Executive pursuant to Section 4.4 for expenses reasonably incurred by the Executive on or before the Severance Date and documented and pre-approved, to the extent applicable, in accordance with the Company's expense reimbursement policies in effect at the applicable time.

(b) As used herein, "Affiliate" of the Company means a Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company. As used in this definition, the term "control," including the correlative terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or any partnership or other ownership interest, by contract or otherwise) of a Person. For purposes of clarity and without limiting the generality of the foregoing, the term "Affiliate" includes any Person that meets the definition of "Affiliate" and is, directly or indirectly through any other Person, engaged in the Business (as such term is defined in Section 6.2) if that Person is controlled by Apollo Global Management, LLC or any of its affiliated funds or Genting HK and its affiliates. However, any Person that would not otherwise be an Affiliate of the Company but for its ownership by Apollo Global Management, LLC or any of its affiliated funds shall not be considered an Affiliate if such Person is not, directly or indirectly through any other Person, engaged in the Business (as such term is defined in Section 6.2).

(c) As used herein, "Cause" shall mean, as reasonably determined by a majority of the Board (excluding the Executive, if he is then a member of the Board), following a reasonable opportunity for the Executive to be heard on the issues, based on the information then known to it, that one or more of the following has occurred:

(i) the Executive has committed a felony (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction), other than (x) through vicarious liability not related to the Company or any of its Affiliates or (y) a vehicular felony;

(ii) the Executive has engaged in acts of fraud, material dishonesty or other acts of willful misconduct in the course of his duties hereunder;

(iii) the Executive willfully fails to perform or uphold his duties under this Agreement and/or willfully fails to comply with reasonable directives of the Board, in either case after there has been delivered to the Executive

a written demand for performance from the Company and the Executive fails to remedy such condition(s) within thirty (30) days of receiving such written notice thereof; or

(iv) any material breach by the Executive of the provisions of Section 6, or any material breach by the Executive of any other contract he is a party to with the Company or any of its Affiliates.

(d) As used herein, "Constructive Termination" shall mean a resignation by the Executive after the occurrence (without the Executive's consent) of any one or more of the following conditions:

(i) a material diminution in the Executive's rate of Base Salary or other material failure to provide the compensation due to the Executive pursuant to this Agreement;

(ii) a material diminution in the Executive's authority, duties, or responsibilities, or any change in lines of reporting such that the Executive no longer reports directly and exclusively to the Board as contemplated by Section 1.2;

(iii) a material change in the geographic location of the Executive's principal office with the Company (for this purpose, in no event shall a relocation of such office to a new location that is not more than fifty (50) miles from the current location of the Company's executive offices constitute a "material change"); or

(iv) a material breach by the Company of this Agreement;

provided, however, that any such condition or conditions, as applicable, shall not constitute grounds for a Constructive Termination unless both (x) the Executive provides written notice to the Company of the condition claimed to constitute grounds for a Constructive Termination within sixty (60) days of the initial existence of such condition(s) (such notice to be delivered in accordance with Section 18), and (y) the Company fails to remedy such condition(s) within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of the Executive's employment with the Company shall not constitute a Constructive Termination unless such termination occurs not more than one hundred and twenty (120) days following the initial existence of the condition claimed to constitute grounds for a Constructive Termination.

(e) As used herein, "Disability" shall mean a physical or mental impairment which, as reasonably determined by the Board, renders the Executive unable to perform the essential functions of his employment with the Company, even with reasonable accommodation that does not impose an undue hardship on the Company, for more than 90 days in any 180-day period, unless a longer period is required by federal or state law, in which case that longer period would apply.

(f) As used herein, "Involuntary Termination" shall mean (i) a termination of the Executive by the Company without Cause (and other than due to Executive's death or in connection with a good faith determination by the Board that the Executive has a Disability), or (ii) a Constructive Termination.

(g) As used herein, the term "Person" shall be construed broadly and shall include, without limitation, an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

(h) As used herein, a "Separation from Service" occurs when the Executive dies, retires, or otherwise has a termination of employment with the Company that constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

5.6. Notice of Termination. Any termination of the Executive's employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party. This notice of termination must be delivered in accordance with Section 18 and must indicate the specific provision(s) of this Agreement relied upon in effecting the termination and the basis of any termination by the Company for Cause or by the Executive as a Constructive Termination.

5.7 Section 409A.

(a) If the Executive is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Executive's Separation from Service, the Executive shall not be entitled to any payment or benefit pursuant to Section 5.3(b) until the earlier of (i) the date which is six (6) months after his Separation from Service for any reason other than death, or (ii) the date of the Executive's death. The provisions of this paragraph shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Section 409A of the Code. For purposes of clarity, the six (6) month delay shall not apply in the case of severance pay contemplated by Treasury Regulation Section 1.409A-1(b)(9)(iii) to the extent of the limits set forth therein. Any amounts otherwise payable to the Executive upon or in the six (6) month period following the Executive's Separation from Service that are not so paid by reason of this Section 5.7(a) shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Executive's Separation from Service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Executive's death).

(b) To the extent that any benefits pursuant to Section 5.3(b)(ii) or reimbursements pursuant to Section 4 are taxable to the Executive, any reimbursement payment due to the Executive pursuant to any such provision shall

be paid to the Executive on or before the last day of the Executive's taxable year following the taxable year in which the related expense was incurred. The benefits and reimbursements pursuant to Section 5.3(b)(ii) and Section 4 are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that the Executive receives in one taxable year shall not affect the amount of such benefits or reimbursements that the Executive receives in any other taxable year.

(c) This Agreement is intended to comply with the requirements of Section 409A of the Code and shall be interpreted consistent with this intent so as to avoid the imputation of any tax, penalty or interest pursuant to Section 409A of the Code.

5.8 Possible Limitation of Benefits in Connection with a Change in Control. Notwithstanding anything contained in this Agreement to the contrary, if following a change in ownership or effective control or in the ownership of a substantial portion of assets (in each case, within the meaning of Section 280G of the Code), the tax imposed by Section 4999 of the Code or any similar or successor tax (the "Excise Tax") applies to any payments, benefits and/or amounts received by the Executive pursuant to this Agreement or otherwise, including, without limitation, any acceleration of the vesting of outstanding stock options or other equity awards (collectively, the "Total Payments"), then the Total Payments shall be reduced (but not below zero) so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1.00) less than the amount which would cause the Total Payments to be subject to the Excise Tax; provided that such reduction to the Total Payments shall be made only if the total after-tax benefit to the Executive is greater after giving effect to such reduction than if no such reduction had been made. If such a reduction is required, the Company shall reduce or eliminate the Total Payments by first reducing or eliminating any cash payments under this Agreement, then by reducing or eliminating any accelerated vesting of stock options, then by reducing or eliminating any accelerated vesting of other equity awards, then by reducing or eliminating any other remaining Total Payments, in each case in reverse order beginning with the payments which are to be paid the farthest in time from the date of the transaction triggering the Excise Tax. The provisions of this Section 5.8 shall take precedence over the provisions of any other plan, arrangement or agreement governing the Executive's rights and entitlements to any benefits or compensation.

6. Protective Covenants.

6.1 Confidential Information; Inventions.

(a) The Executive shall not disclose or use at any time, either during the Period of Employment or thereafter, any Confidential Information (as defined below) of which the Executive is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by the Executive's performance in good faith of duties for the Company. The Executive will take all appropriate steps to safeguard Confidential Information in his possession and to protect it against disclosure, misuse, espionage, loss and theft. The Executive shall deliver to the Company at the termination of the Period of Employment, or at any time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information or the Work Product (as hereinafter defined) of the business of the Company or any of its Affiliates which the Executive may then possess or have under his control. Notwithstanding the foregoing, the Executive may truthfully respond to a lawful and valid subpoena or other legal process, but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought, and shall assist the Company and such counsel in resisting or otherwise responding to such process.

(b) As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is used, developed or obtained by the Company or its Affiliates in connection with their businesses, including, but not limited to, information, observations and data obtained by the Executive while employed by the Company or any predecessors thereof (including those obtained prior to the Effective Date) concerning (i) the business or affairs of the Company (or such predecessors), (ii) products or services, (iii) fees, costs and pricing structures, (iv) designs, (v) analyses, (vi) drawings, photographs and reports, (vii) computer software, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) data bases, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) other copyrightable works, (xiv) all production methods, processes, technology and trade secrets, and (xv) all similar and related information in whatever form. Confidential Information will not include any information that has been published (other than a disclosure by the Executive in breach of this Agreement) in a form generally available to the public prior to the date the Executive proposes to disclose or use such information. Confidential Information will not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

(c) As used in this Agreement, the term "Work Product" means all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos and all similar or related information (whether

patentable or unpatentable, copyrightable, registerable as a trademark, reduced to writing, or otherwise) which relates to the Company's or any of its Affiliates' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Executive (whether or not during usual business hours, whether or not by the use of the facilities of the Company or any of its Affiliates, and whether or not alone or in conjunction with any other person) while employed by the Company (including those conceived, developed or made prior to the Effective Date) together with all patent applications, letters patent, trademark, trade name and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing. All Work Product that the Executive may have discovered, invented or originated during his employment by the Company or any of its Affiliates prior to the Effective Date or that he may discover, invent or originate during the Period of Employment or at any time prior to the Severance Date, shall be the exclusive property of the Company and its Affiliates, as applicable, and Executive hereby assigns all of Executive's right, title and interest in and to such Work Product to the Company or its applicable Affiliate, including all intellectual property rights therein. Executive shall promptly disclose all Work Product to the Company, shall execute at the request of the Company any assignments or other documents the Company may deem necessary to protect or perfect its (or any of its Affiliates', as applicable) rights therein, and shall assist the Company, at the Company's expense, in obtaining, defending and enforcing the Company's (or any of its Affiliates', as applicable) rights therein. The Executive hereby appoints the Company as his attorney-in-fact to execute on his behalf any assignments or other documents deemed necessary by the Company to protect or perfect the Company, the Company's (and any of its Affiliates', as applicable) rights to any Work Product.

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- 6.2 Restriction on Competition.** The Executive acknowledges that, in the course of his employment with the Company and/or its Affiliates and their predecessors, he has become familiar, or will become familiar, with the Company's and its Affiliates' and their predecessors' trade secrets and with other Confidential Information concerning the Company, its Affiliates and their respective predecessors and that his services have been and will be of special, unique and extraordinary value to the Company and its Affiliates. The Executive agrees that if the Executive were to become employed by, or substantially involved in, the business of a competitor of the Company or any of its Affiliates during the twelve months following the Severance Date, it would be very difficult for the Executive not to rely on or use the Company's and its Affiliates' trade secrets and Confidential Information. Thus, to avoid the inevitable disclosure of the Company's and its Affiliates' trade secrets and Confidential Information, and to protect such trade secrets and Confidential Information and the Company's and its Affiliates' relationships and goodwill with customers, during the Period of Employment and for a period of twelve months after the Severance Date, the Executive will not directly or indirectly through any other Person engage in, enter the employ of, render any services to, have any ownership interest in, nor participate in the financing, operation, management or control of, any Competing Business. For purposes of this Agreement, the phrase "directly or indirectly through any other Person engage in" shall include, without limitation, any direct or indirect ownership or profit participation interest in such enterprise, whether as an owner, stockholder, member, partner, joint venturer or otherwise, and shall include any direct or indirect participation in such enterprise as an employee, consultant, director, officer, licensor of technology or otherwise. For purposes of this Agreement, "Competing Business" means a Person anywhere in the continental United States and elsewhere in the world where the Company and its Affiliates engage in business, or reasonably anticipate engaging in business, on the Severance Date (the "Restricted Area") that at any time during the Period of Employment has competed, or at any time during the twelve month period following the Severance Date competes, with the Company or any of its Affiliates in the provision of travel services, including, without limitation, travel services related to the cruise ship industry (the "Business"). Nothing herein shall prohibit the Executive from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, so long as the Executive has no active participation in the business of such corporation.
- 6.3 Non-Solicitation of Employees and Consultants.** During the Period of Employment and for a period of twenty four months after the Severance Date, the Executive will not directly or indirectly through any other Person (i) induce or attempt to induce any employee or independent contractor of the Company or any Affiliate of the Company to leave the employ or service, as applicable, of the Company or such Affiliate, or in any way interfere with the relationship between the Company or any such Affiliate, on the one hand, and any employee or independent contractor thereof, on the other hand, or (ii) hire any person who was an employee of the Company or any Affiliate of the Company until twelve months after such individual's employment relationship with the Company or such Affiliate has been terminated.

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- 6.4 Non-Solicitation of Customers.** During the Period of Employment and for a period of twelve months after the Severance Date, the Executive will not directly or indirectly through any other Person influence or attempt to influence customers, vendors, suppliers, licensors, lessors, joint venturers, associates, consultants, agents, or partners of the Company or any Affiliate of the Company to divert their business away from the Company or such Affiliate, and the Executive will not otherwise interfere with, disrupt or attempt to disrupt the business relationships, contractual or otherwise, between the Company or any Affiliate of the Company, on the one hand, and any of its or their customers, suppliers, vendors, lessors, licensors, joint venturers, associates, officers, employees, consultants, managers, partners, members or investors, on the other hand.
- 6.5 Understanding of Covenants.** The Executive represents that he (i) is familiar with and has carefully considered the foregoing covenants set forth in this Section 6 (together, the “Restrictive Covenants”), (ii) is fully aware of his obligations hereunder, (iii) agrees to the reasonableness of the length of time, scope and geographic coverage, as applicable, of the Restrictive Covenants, (iv) agrees that the Company and its Affiliates currently conduct business throughout the continental United States and the rest of the world, (v) agrees that the Restrictive Covenants are necessary to protect the Company’s and its Affiliates’ confidential and proprietary information, good will, stable workforce, and customer relations, and (vi) agrees that the Restrictive Covenants will continue in effect for the applicable periods set forth above in this Section 6 regardless of whether the Executive is then entitled to receive severance pay or benefits from the Company. The Executive understands that the Restrictive Covenants may limit his ability to earn a livelihood in a business similar to the Business of the Company and any of its Affiliates, but he nevertheless believes that he has received and will receive sufficient consideration and other benefits as an employee of the Company and as otherwise provided hereunder or as described in the recitals hereto to clearly justify such restrictions which, in any event (given his education, skills and ability), the Executive does not believe would prevent him from otherwise earning a living. The Executive agrees that the Restrictive Covenants do not confer a benefit upon the Company disproportionate to the detriment of the Executive.
- 6.6 Enforcement.** The Executive agrees that the Executive’s services are unique and that he has access to Confidential Information and Work Product. Accordingly, without limiting the generality of Section 17, the Executive agrees that a breach by the Executive of any of the covenants in this Section 6 would cause immediate and irreparable harm to the Company that would be difficult or impossible to measure, and that damages to the Company for any such injury would therefore be an inadequate remedy for any such breach. Therefore, the Executive agrees that in the event of any breach or threatened breach of any provision of this Section 6, the Company shall be entitled, in addition to and without limitation

upon all other remedies the Company may have under this Agreement, at law or otherwise, to obtain specific performance, injunctive relief and/or other appropriate relief (without posting any bond or deposit) in order to enforce or prevent any violations of the provisions of this Section 6. The Executive further agrees that the applicable period of time any Restrictive Covenant is in effect following the Severance Date, as determined pursuant to the foregoing provisions of this Section 6, shall be extended by the same amount of time that Executive is in breach of any Restrictive Covenant.

7. **Withholding Taxes.** Notwithstanding anything else herein to the contrary, the Company may withhold (or cause there to be withheld, as the case may be) from any amounts otherwise due or payable under or pursuant to this Agreement such federal, state and local income, employment, or other taxes as may be required to be withheld pursuant to any applicable law or regulation.
8. **Successors and Assigns.**
 - (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.
 - (b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. Without limiting the generality of the preceding sentence, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor or assignee, as applicable, which assumes and agrees to perform this Agreement by operation of law or otherwise.
9. **Number and Gender; Examples.** Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders. Where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates.
10. **Section Headings.** The section headings of, and titles of paragraphs and subparagraphs contained in, this Agreement are for the purpose of convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation thereof.

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11. **Governing Law.** THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE (WHETHER OF THE STATE OF FLORIDA OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF FLORIDA TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF FLORIDA WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.
 12. **Severability.** It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable under any present or future law, and if the rights and obligations of any party under this Agreement will not be materially and adversely affected thereby, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction, and to this end the provisions of this Agreement are declared to be severable; furthermore, in lieu of such invalid or unenforceable provision there will be added automatically as a part of this Agreement, a legal, valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible. Notwithstanding the foregoing, if such provision could be more narrowly drawn (as to geographic scope, period of duration or otherwise) so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.
 13. **Entire Agreement; Legal Effect.** This Agreement (the "Integrated Document") embodies the entire agreement of the parties hereto respecting the matters within its scope. The Integrated Document supersedes all prior and contemporaneous agreements of the parties hereto that directly or indirectly bear upon the subject matter hereof. Any prior negotiations, correspondence, agreements, proposals or understandings relating to the subject matter hereof shall be deemed to have been merged into the Integrated Document, and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter hereof, except as expressly set forth herein.
 14. **Modifications.** This Agreement may not be amended, modified or changed (in whole or in part), except by a formal, definitive written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto.

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15. **Waiver.** Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
16. **Waiver of Jury Trial.** EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT.
17. **Remedies.** Each of the parties to this Agreement and any such person or entity granted rights hereunder whether or not such person or entity is a signatory hereto shall be entitled to enforce its rights under this Agreement specifically to recover damages and costs for any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that each party may in its sole discretion apply to any court of law or equity of competent jurisdiction for specific performance, injunctive relief and/or other appropriate equitable relief (without posting any bond or deposit) in order to enforce or prevent any violations of the provisions of this Agreement. Each party shall be responsible for paying its own attorneys' fees, costs and other expenses pertaining to any such legal proceeding and enforcement regardless of whether an award or finding or any judgment or verdict thereon is entered against either party.
18. **Notices.** Any notice provided for in this Agreement must be in writing and must be either personally delivered, transmitted via telecopier, mailed by first class mail (postage prepaid and return receipt requested) or sent by reputable overnight courier service (charges prepaid) to the recipient at the address below indicated or at such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder and received when delivered personally, when received if transmitted via telecopier, five days after deposit in the U.S. mail and one day after deposit with a reputable overnight courier service.

if to the Company:

NCL (Bahamas) Ltd.
7665 Corporate Center Drive
Miami, FL 33126
Facsimile: (305) 436-4101
Attn: Board of Directors

if to the Executive, to the address most recently on file in the payroll records of the Company.

19. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.
20. **Legal Counsel; Mutual Drafting.** Each party recognizes that this is a legally binding contract and acknowledges and agrees that they have had the opportunity to consult with legal counsel of their choice. Each party has cooperated in the drafting, negotiation and preparation of this Agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against either party on the basis of that party being the drafter of such language. The Executive agrees and acknowledges that he has read and understands this Agreement, is entering into it freely and voluntarily, and has been advised to seek counsel prior to entering into this Agreement and has had ample opportunity to do so.

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement as of the Effective Date.

“COMPANY”

NCL (Bahamas), Ltd.
a company organized under the laws of Bermuda

By: /s/ George Chesney

Name: George Chesney
Title: Senior Vice President
Corporate Human Resources

“EXECUTIVE”

/s/ Kevin Sheehan
Kevin Sheehan

Approved as to Form
/s/ Daniel S. Farkas
NCL Legal Department

Approved as to Content
By: /s/ George Chesney

Approved by Finance
By: /s/ Wendy A. Beck

**NORWEGIAN CRUISE LINE HOLDINGS LTD.
2013 PERFORMANCE INCENTIVE PLAN
RESTRICTED SHARE AWARD AGREEMENT**

THIS RESTRICTED SHARE AWARD AGREEMENT (this “**Award Agreement**”) is dated as of [], 2013] (the “**Award Date**”) by and between Norwegian Cruise Line Holdings Ltd., (the “**Company**”), and [] (the “**Director**”).

WITNESSETH

WHEREAS, pursuant to the Norwegian Cruise Line Holdings Ltd. 2013 Performance Incentive Plan (the “**Plan**”), the Company hereby grants to the Director, effective as of the date hereof, an award of restricted Ordinary Shares (the “**Award**”), upon the terms and conditions set forth herein and in the Plan.

NOW THEREFORE, in consideration of services rendered and to be rendered by the Director, and the mutual promises made herein and the mutual benefits to be derived therefrom, the parties agree as follows:

1. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

2. Grant. Subject to the terms of this Award Agreement, the Company hereby grants to the Director an Award with respect to an aggregate of [] restricted Ordinary Shares (the “**Restricted Shares**”).

3. Vesting. Subject to Section 6 below, the Award shall vest, and restrictions shall lapse, in substantially equal quarterly installments on each of *insert last day of each of the first eight fiscal quarters following the grant date*. The vesting schedule requires continued service through each applicable vesting date as a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Award Agreement. The restrictions applicable to the Restricted Shares subject to the Award shall continue in effect with respect to any consideration, property or other securities received (other than ordinary dividends) in respect of such Restricted Shares (“**Restricted Property**”), and any such Restricted Property shall vest at such times and in such proportion as the Restricted Shares to which the Restricted Property is attributable vest, or would have vested pursuant to the terms hereof if such Restricted Shares had remained outstanding.

4. Dividend and Voting Rights. After the Award Date, the Director shall be entitled to cash dividends and voting rights with respect to the Restricted Shares subject to the Award even though such shares are not vested, provided that such rights shall terminate immediately as to any Restricted Shares that are forfeited pursuant to Section 6 below.

5. Stock Certificates.

(a) **Book Entry Form.** The Company shall issue the Restricted Shares subject to the Award either: (a) in certificate form, or (b) in book entry form, registered in the name of the Director with notations regarding the applicable restrictions imposed under this Award

Agreement and the Plan. Any certificates representing Restricted Shares that may be delivered to the Director by the Company prior to vesting shall be redelivered to the Company to be held by the Company until the restrictions on such shares shall have lapsed and the shares shall thereby have become vested or the shares represented thereby have been forfeited hereunder. Such certificates shall bear appropriate legends regarding the restrictions imposed under this Award Agreement and the Plan.

(b) **Delivery of Certificates Upon Vesting.** Promptly after the vesting of any Restricted Shares pursuant to Section 3 hereof or Section 7 of the Plan, the Company shall, as applicable, either remove the notations on any Restricted Shares issued in book entry form which have vested or deliver to the Director a certificate or certificates evidencing the number of Restricted Shares which have vested. The shares so delivered shall no longer be restricted shares hereunder or under the Plan.

6. Effect of Termination of Services. If the Director ceases to provide services to the Company or a Subsidiary (the date of such termination of service is referred to as the Director's "**Severance Date**"), the Director's Restricted Shares shall be forfeited to the Company to the extent such shares have not become vested pursuant to Section 3 hereof or Section 7 of the Plan upon the Severance Date. Upon the occurrence of any forfeiture of Restricted Shares hereunder, such unvested, forfeited shares shall be automatically transferred to the Company as of the Severance Date, without any other action by the Director (or the Director's beneficiary or personal representative in the event of the Director's death or disability, as applicable). No consideration shall be paid by the Company with respect to such transfer. The Director, by acceptance of the Award, shall be deemed to appoint, and does so appoint by execution of this Award Agreement, the Company and each of its authorized representatives as the Director's attorney(s) in fact to effect any transfer of unvested forfeited shares to the Company as may be required pursuant to the Plan or this Award Agreement and to execute such documents as the Company or such representatives deem necessary or advisable in connection with any such transfer. The Company may take any action necessary or advisable to evidence such transfer.

7. Plan. The Award and all rights of the Director under this Award Agreement are subject to the terms and conditions of the provisions of the Plan, incorporated herein by reference. The Director agrees to be bound by the terms of the Plan and this Award Agreement. The Director acknowledges having read and understanding the Plan, the Prospectus for the Plan, and this Award Agreement.

8. Entire Agreement. This Award Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan may be amended pursuant to Section 8.6 of the Plan. This Award Agreement may be amended by the Board from time to time. Any such amendment must be in writing and signed by the Company. Any such amendment that materially and adversely affects the Director's rights under this Award Agreement requires the consent of the Director in order to be effective with respect to the Award. The Company may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Director hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

9. Counterparts. This Award Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

10. Section Headings. The section headings of this Award Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

11. Governing Law. This Award Agreement shall be governed by and construed and enforced in accordance with the laws of Bermuda without regard to conflict of law principles thereunder.

12. No Advice Regarding Grant. The Director is hereby advised to consult with his or her own tax, legal and/or investment advisors with respect to any advice the Director may determine is needed or appropriate with respect to the Restricted Shares (including, without limitation, to determine the foreign, state, local, estate and/or gift tax consequences with respect to the Award, the advantages and disadvantages of making an election under Section 83(b) of the Code with respect to the Award, and the process and requirements for such an election).

IN WITNESS WHEREOF, the Company has caused this Award Agreement to be executed on its behalf by a duly authorized officer and the Director has hereunto set his or her hand as of the date and year first above written.

NORWEGIAN CRUISE LINE HOLDINGS LTD.

By: _____

DIRECTOR

Signature

Print Name

CERTIFICATION

I, Kevin M. Sheehan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Norwegian Cruise Line Holdings Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 30, 2013

/s/ Kevin M. Sheehan

Name: Kevin M. Sheehan

Title: President and Chief Executive Officer

CERTIFICATION

I, Wendy A. Beck, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Norwegian Cruise Line Holdings Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 30, 2013

/s/ Wendy A. Beck

Name: Wendy A. Beck

Title: Executive Vice President and Chief Financial Officer

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of Kevin M. Sheehan, the President and Chief Executive Officer, and Wendy A. Beck, the Executive Vice President and Chief Financial Officer, of Norwegian Cruise Line Holdings Ltd. (the "Company"), does hereby certify, that, to such officer's knowledge:

The Quarterly Report on Form 10-Q of the Company, for the quarter ended June 30, 2013 (the "Form 10-Q"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2013

By: /s/ Kevin M. Sheehan
Name: Kevin M. Sheehan
Title: President and Chief Executive Officer

By: /s/ Wendy A. Beck
Name: Wendy A. Beck
Title: Executive Vice President and Chief Financial Officer

