

Norwegian Cruise Line Holdings Ltd.
Form 10-K
February 27, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

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

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Act). Yes No

As of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of voting stock held by non-affiliates of the registrant based upon the closing sales price for the registrant's ordinary shares as reported on The Nasdaq Stock Market was \$6.5 billion.

There were 227,324,137 ordinary shares outstanding as of February 17, 2017.

Documents Incorporated by Reference

Portions of the Proxy Statement for the registrant's 2017 Annual General Meeting of Shareholders, to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2016, are incorporated by reference in Part III herein.

NORWEGIAN CRUISE LINE HOLDINGS LTD.

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Terms Used in this Annual Report

Unless otherwise indicated or the context otherwise requires, references in this report to (i) the “Company,” “we,” “our” and “us” refer to NCLH (as defined below) and its subsidiaries (including Prestige (as defined below), except for periods prior to the consummation of the Acquisition of Prestige (as defined below)), (ii) “NCLC” refers to NCL Corporation Ltd., (iii) “NCLH” refers to Norwegian Cruise Line Holdings Ltd., (iv) “Norwegian Cruise Line” or “Norwegian” refers to the Norwegian Cruise Line brand and its predecessors and “NCL America” or “NCLA” refers to our U.S.-flagged operations, (v) “Prestige” refers to Prestige Cruises International, Inc., together with its consolidated subsidiaries, (vi) “PCH” refers to Prestige Cruise Holdings, Inc., Prestige’s direct wholly-owned subsidiary, which in turn is the parent of Oceania Cruises, Inc. (“Oceania Cruises”) and Seven Seas Cruises S. DE R.L. (“Regent”) (Oceania Cruises also refers to the brand by the same name and Regent also refers to the brand Regent Seven Seas Cruises), (vii) “Apollo” refers to Apollo Global Management, LLC, its subsidiaries and the affiliated funds it manages and the “Apollo Holders” 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., AIF VI NCL (AIV IV), L.P., NCL Athene LLC, Apollo Overseas Partners (Delaware) VI, L.P., Apollo Overseas Partners (Delaware 892) VI, L.P., Apollo Overseas Partners VI, L.P., Apollo Overseas Partners (Germany) VI, L.P., AAA Guarantor—Co-Invest VII, L.P., AIF VI Euro Holdings, L.P., AIF VII Euro Holdings, L.P., Apollo Alternative Assets, L.P., Apollo Management VI, L.P. and Apollo Management VII, L.P., (viii) “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, (ix) “Genting HK” refers to Genting Hong Kong Limited and/or its affiliates (formerly Star Cruises Limited and/or its affiliates) (Genting HK owns NCLH’s ordinary shares indirectly through Star NCLC Holdings Ltd., its wholly-owned subsidiary (“Star NCLC”)), and (x) “Affiliate(s)” or “Sponsor(s)” refers to the Apollo Holders, Genting HK 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, the “U.K.” are to the United Kingdom and “euros” or “€” are to the official currency of the Eurozone.

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

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

· *Acquisition of Prestige.* In November 2014, pursuant to the Merger Agreement, we acquired Prestige in a cash and stock transaction for total consideration of \$3.025 billion, including the assumption of debt.

· *Adjusted EBITDA.* EBITDA adjusted for other income (expense), net and other supplemental adjustments.

- *Adjusted EPS*. Adjusted Net Income divided by the number of diluted weighted-average shares outstanding.
- *Adjusted Net Cruise Cost Excluding Fuel*. Net Cruise Cost Excluding Fuel adjusted for supplemental adjustments.
- *Adjusted Net Income*. Net income adjusted for supplemental adjustments.
- *Adjusted Net Revenue*. Net Revenue adjusted for supplemental adjustments.
- *Adjusted Net Yield*. Net Yield adjusted for supplemental adjustments.
- *Bareboat Charter*. The hire of a ship for a specified period of time whereby no crew or provisions are provided by the Company.
- *Berths*. Double occupancy capacity per cabin (single occupancy per studio cabin) even though many cabins can accommodate three or more passengers.
- *Breakaway Class Ships*. Norwegian Breakaway and Norwegian Getaway.
- *Breakaway Plus Class Ships*. The next generation of ships which are similar in design and innovation to Breakaway Class Ships.
- *Business Enhancement Capital Expenditures*. Capital expenditures other than those related to new ship construction and ROI Capital Expenditures.
- *Capacity Days*. Available Berths multiplied by the number of cruise days for the period.

· *CLIA*. Cruise Lines International Association, Inc., a non-profit marketing and training organization formed in 1975 to promote cruising.

· *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 foreign exchange fluctuations.

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- *Dry-dock*. A process whereby a ship is positioned in a large basin where all of the fresh/sea water is pumped out in order to carry out cleaning and repairs of those parts of a ship which are below the water line.

- *EBITDA*. Earnings before interest, taxes, and depreciation and amortization.

- *EPS*. Earnings per share.

- *Explorer Class Ships*. Regent's Seven Seas Explorer and a second ship on order.

- *GAAP*. Generally accepted accounting principles in the U.S.

- *Gross Cruise Cost*. The sum of total cruise operating expense and marketing, general and administrative expense.

- *Gross Tons*. A unit of enclosed passenger space on a cruise ship, such that one gross ton = 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 were converted into units in NCLC. All Management NCL Corporation Units were exchanged for NCLH ordinary shares and restricted shares in the fourth quarter of 2014.

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· *Merger Agreement.* Agreement and Plan of Merger, dated as of September 2, 2014, by and among Prestige, NCLH, Portland Merger Sub, Inc. and Apollo Management, L.P., as amended, for the Acquisition of Prestige.

· *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.

· *New Revolving Loan Facility.* \$750.0 million senior secured revolving credit facility maturing on June 6, 2021, subject to an earlier springing maturity date as described in Note 7— “Long-Term Debt” in our consolidated financial statements included herein. The New Revolving Loan Facility amended and restated the Revolving Loan Facility.

· *Norwegian Sky Purchase Agreement.* Memorandum of agreement, dated June 1, 2012, between Ample Avenue Limited, as seller, and Norwegian Sky, Ltd., as buyer, related to our purchase of Norwegian Sky.

· *Project Leonardo.* The next generation of ships for our Norwegian brand.

· *O-Class ships.* Oceania Cruises fleet consists of the O-Class ships, Marina and Riviera, with 1,250 Berths each.

· *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.

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- *R-Class ship*. Oceania Cruises fleet consists of the R-Class ships, Regatta, Insignia, Nautica, and Sirena, with 684 Berths each.
- *Revolving Loan Facility*. \$625.0 million senior secured revolving credit facility which was to mature on May 24, 2018 and was amended and restated in June 2016 by the New Revolving Loan Facility.
- *ROI Capital Expenditures*. Comprised of project-based capital expenditures which have a quantified return on investment.
- *SEC*. U.S. Securities and Exchange Commission.
- *Secondary Equity Offering(s)*. Secondary public offering(s) of NCLH's ordinary shares in December 2015, August 2015, May 2015,

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March 2015, March 2014, December 2013 and August 2013.

· *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.

Industry and Market Data

This annual report includes market share and industry data and forecasts that we obtained from industry publications, third-party surveys and internal Company surveys. Industry publications, including those from CLIA and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. All CLIA information, obtained from the CLIA website “www.cruising.org,” relates to CLIA member lines. All other references to third-party information are to information that is publicly available at nominal or no cost. We use the most currently available industry and market data to support statements as to our market position.

Although we believe that the industry publications and third-party sources are reliable, we have not independently verified any of the data from industry publications or third-party sources. Similarly, while we believe our internal estimates with respect to our industry are reliable, our estimates have not been verified by any independent sources. While we are not aware of any misstatements regarding any industry data presented herein, our estimates, in particular as they relate to market share and our general expectations, involve risks and uncertainties and are subject to change based on various factors, including those discussed under “Item 1A—Risk Factors” and “Item 7— Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this annual report.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this annual report constitute forward-looking statements within the meaning of the U.S. federal securities laws intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained, or incorporated by reference, in this annual report, including, without limitation, those regarding our business strategy, financial position, results of operations, plans, prospects and objectives of management for future operations (including expected fleet additions, development plans, objectives relating to our activities and expected performance in new markets), are forward-looking statements. Many, but not all, of these statements can be found by looking for words like “expect,” “anticipate,” “goal,” “project,” “plan,” “believe,” “seek,” “will,” “may,” “forecast,” “estimate,” “intend,” “future” and similar v Forward-looking statements do not guarantee future performance and may involve risks, uncertainties and other factors which could cause our actual results, performance or achievements to differ materially from the future results,

performance or achievements expressed or implied in those forward-looking statements. Examples of these risks, uncertainties and other factors include, but are not limited to the impact of:

- adverse general economic and related factors, such as fluctuating or increasing levels of unemployment, underemployment and the volatility of fuel prices, declines in the securities and real estate markets, and perceptions of these conditions that decrease the level of disposable income of consumers or consumer confidence;
- adverse events impacting the security of travel, such as terrorist acts, armed conflict and threats thereof, acts of piracy, and other international events;
- the risks and increased costs associated with operating internationally;
- our expansion into and investments in new markets;
- breaches in data security or other disturbances to our information technology and other networks;
- the spread of epidemics and viral outbreaks;
- adverse incidents involving cruise ships;
- changes in fuel prices and/or other cruise operating costs;
- an impairment of our tradenames or goodwill which could adversely affect our financial condition and operating results;
- our hedging strategies;
- our inability to obtain adequate insurance coverage;
- our substantial indebtedness, including the ability to raise additional capital to fund our operations, and to generate the necessary amount of cash to service our existing debt;
- restrictions in the agreements governing our indebtedness that limit our flexibility in operating our business;
- the significant portion of our assets pledged as collateral under our existing debt agreements and the ability of our creditors

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to accelerate the repayment of our indebtedness;

· 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;

· fluctuations in foreign currency exchange rates;

· overcapacity in key markets or globally;

· our inability to recruit or retain qualified personnel or the loss of key personnel;

· future changes relating to how external distribution channels sell and market our cruises;

· our reliance on third parties to provide hotel management services to certain ships and certain other services;

· delays in our shipbuilding program and ship repairs, maintenance and refurbishments;

· future increases in the price of, or major changes or reduction in, commercial airline services;

· seasonal variations in passenger fare rates and occupancy levels at different times of the year;

· our ability to keep pace with developments in technology;

· amendments to our collective bargaining agreements for crew members and other employee relation issues;

· the continued availability of attractive port destinations;

· pending or threatened litigation, investigations and enforcement actions;

· changes involving the tax and environmental regulatory regimes in which we operate; and

· other factors set forth under “Risk Factors.”

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

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PART I

Item 1. Business

History and Development of the Company

NCLH is a leading global cruise company which operates the Norwegian Cruise Line, Oceania Cruises and Regent Seven Seas Cruises brands. We have 24 ships with approximately 46,500 Berths and plan to introduce eight additional ships through 2025 with an option to introduce two additional ships for delivery in 2026 and 2027.

Norwegian commenced operations from Miami in 1966. In February 2000, Genting HK acquired control of and subsequently became the sole owner of the Norwegian operations.

In January 2008, the Apollo Holders acquired 50% of the outstanding ordinary share capital of NCLC. As part of this investment, the Apollo Holders assumed control of NCLC's Board of Directors. Also, in January 2008, the TPG Viking Funds acquired, in the aggregate, 12.5% of NCLC's outstanding share capital from the Apollo Holders.

In January 2013, NCLH completed its IPO, pursuant to which it sold 27,058,824 ordinary shares for net proceeds, after deducting underwriting discounts and commissions and expenses, of approximately \$473.9 million.

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

The Sponsors have completed numerous Secondary Equity Offerings and as of December 31, 2016 have reduced their ownership to 29.4% of NCLH's ordinary shares.

Corporate Reorganization

In February 2011, NCLH, a Bermuda limited company, was formed with the issuance to the Sponsors of, in aggregate, 10,000 ordinary shares, with a par value of \$.001 per share. In connection with the consummation of the IPO, the Sponsors' ordinary shares in NCLC were exchanged for the ordinary shares of NCLH, and NCLH became the owner of 100% of the ordinary shares and parent company of NCLC (the "Corporate Reorganization"). At the same time, NCLH contributed \$460.0 million to NCLC and the historical financial statements of NCLC became those of NCLH. The Corporate Reorganization was 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 prepare for the Corporate Reorganization and the IPO.

NCLC was treated as a partnership for U.S. federal income tax purposes, and the terms of the partnership (including the economic rights with respect thereto) were set forth in an amended and restated tax agreement for NCLC. Economic interests in NCLC were represented by the partnership interests established under the tax agreement, which we refer to as "NCL Corporation Units."

In connection with the Corporate Reorganization, NCLC's outstanding profits interests granted under the profits sharing agreement to management (or former management) of NCLC were exchanged for an economically equivalent number of NCL Corporation Units. We refer to the NCL Corporation Units exchanged for profits interests granted under the profits sharing agreement as Management NCL Corporation Units. As a result of the Corporate Reorganization, the Management NCL Corporation Units created a non-controlling interest within NCLH. The Management NCL Corporation Units received upon the exchange of outstanding profits interests were subject to the same time-based vesting requirements and performance-based vesting requirements applicable to the profits interests for which they were exchanged. The Management NCL Corporation Units issued in exchange for the profits interests represented a 2.7% economic interest in NCLC as of the consummation of the IPO.

Subject to certain procedures and restrictions (including the vesting schedules applicable to the Management NCL Corporation Units and any applicable legal and contractual restrictions), each holder of Management NCL Corporation Units had the right to cause NCLC and NCLH to exchange the holder's Management NCL Corporation Units for ordinary shares of NCLH at an exchange rate equal to one ordinary share for every Management NCL Corporation Unit (or, at NCLC's election, a cash payment equal to the value of the exchanged Management NCL Corporation Units), subject to customary adjustments for stock splits, subdivisions, combinations and similar extraordinary events.

When a holder of a Management NCL Corporation Unit exchanged such unit for one of NCLH's ordinary shares (or a cash payment equal to the value of one of such ordinary shares), the relative economic interests of the exchanging NCL Corporation Unit holder and the holders of ordinary shares of NCLH were not altered. As a result of the Corporate Reorganization, a non-controlling interest was created within NCLH and NCLH's financial statements and financial results differed from NCLC's in certain respects.

In the fourth quarter of 2014, all Management NCL Corporation Units were exchanged for NCLH ordinary shares and restricted shares. NCLH became the sole member and 100% owner of the economic interests in NCLC and the non-controlling interest no longer exists. Accordingly, NCLC is now treated as a disregarded entity for U.S. federal

income tax purposes. No new NCLC profits

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interests or Management NCL Corporation Units will be issued; however, NCLH has granted, and expects to continue to grant, equity to its employees and members of its Board of Directors under its long-term incentive plan.

Additional Information

NCLH is a Bermuda limited company formed as a holding company in 2011, with predecessors dating from 1966. Our registered offices are located at Cumberland House, 9th Floor, 1 Victoria Street, Hamilton HM 11, Bermuda. Our principal executive offices are located at 7665 Corporate Center Drive, Miami, Florida 33126. Our telephone number is (305) 436-4000. Our website is located at www.nclhldinvestor.com. The information that appears on our websites is not part of, and is not incorporated by reference into this annual report or any other report or document filed with or furnished to the SEC. Daniel S. Farkas, the Company's Senior Vice President and General Counsel, is our agent for service of process at our principal executive offices.

Our Company

Business Overview

We are a leading global cruise company which operates the Norwegian Cruise Line, Oceania Cruises and Regent Seven Seas Cruises brands. We have 24 ships with approximately 46,500 Berths. We plan to introduce eight additional ships through 2025 and we have an option to introduce two additional ships for delivery in 2026 and 2027. Norwegian Joy, a ship tailored for Chinese travelers, is on order for delivery in the spring of 2017. Norwegian Bliss and an additional Breakaway Plus Class Ship are on order for delivery in the spring of 2018 and fall of 2019. We have an Explorer Class Ship on order for delivery in the winter of 2020. Project Leonardo consists of four ships on order with expected delivery dates through 2025 with an option for two additional ships for delivery in 2026 and 2027, subject to certain conditions. These additions to our fleet (exclusive of the option for two additional ships) will increase our total Berths to approximately 72,100. Our brands offer itineraries to worldwide destinations including Europe, Asia, Australia, New Zealand, South America, Africa, Canada, Bermuda, Caribbean, Alaska and Hawaii. Norwegian's U.S.-flagged ship, Pride of America, provides the industry's only entirely inter-island itinerary in Hawaii.

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

Norwegian is an innovator in cruise travel with 14 ships that have been purpose-built to consistently deliver the “Freestyle Cruising” product, which offers freedom, flexibility and choice to our guests who prefer to dine when they want, with whomever they want and without having to dress formally. Certain ships in Norwegian’s fleet offer The Haven by Norwegian (“The Haven”), a luxurious, key-card access enclave that has spacious accommodations with suites as large as 1,345 square feet and offers a “ship within a ship” experience. The Haven includes two decks of suites, a private pool with multiple hot tubs and sundeck, a private fitness center and steam rooms, fine dining in a private restaurant, casual outdoor dining, 24-hour concierge service and personal butlers. The additional ships that we plan to add to our fleet as part of Project Leonardo will introduce additional innovative features that we believe will further elevate the guest experience. Norwegian Cruise Line has been named “North America’s Leading Cruise Line” for the first time, along with being honored as the “Caribbean’s Leading Cruise Line” for the fourth consecutive year and World’s Leading Large Ship Cruise Line for the fifth straight year at the 2016 World Travel Awards. In 2016, Norwegian also received awards for “Europe’s Leading Cruise Line” for the ninth consecutive year, “Europe’s Responsible Tourism Award” for the second consecutive year and the award for “World’s Best Cruise Spa” for the Mandara Spa® on board Norwegian Cruise Line.

Oceania Cruises offers the finest cuisine at sea and immersive destination experiences with destination-rich itineraries spanning the globe. Oceania Cruises operates a fleet of six mid-size ships, including two 1,250-Berth O-Class ships, and four 684-Berth R-Class ships. Oceania Cruises is ranked as one of the world’s best cruise lines by Condé Nast Traveler and Travel + Leisure. Oceania Cruises’ ships received “Best in Cuisine,” from Cruise Critic Cruisers’ Choice Awards in 2016 and 2015, “Best Public Rooms” and “Best Cabins” from Cruise Critic Cruisers’ Choice Awards in 2015, “Best Food” from Travel Weekly - Readers’ Choice Awards and “Best Dining” from 2016 Town & Country Cruise Awards.

Regent Seven Seas Cruises is an all-inclusive cruise line which provides all-suite accommodations, round-trip air transportation, highly personalized service, acclaimed cuisine, fine wines and spirits, Wi-Fi, sightseeing excursions in every port and other amenities included in the cruise fare. The brand operates four award-winning ships, totaling 2,640 Berths. In 2017, it received “Best Cruise Ship, Luxury” for Seven Seas Explorer, “Best Cruise Ship, Mid-Size” for Seven Seas Navigator and “Best Cruise Line, Luxury” from the TravAlliance Travvy Awards. In 2016, it received “Best New Luxury Ship” for Regent Seven Seas Explorer and “Best Cabins” for Regent Seven Seas Cruises from the Cruise Critic U.S. Editors’ Picks Awards. It also won the 2015 National Association of Career Travel Agents “Luxury Cruise Line Partner of the Year” award.

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

Ship⁽¹⁾	Year Built	Primary Areas of Operation
Norwegian		
Norwegian Escape	2015	Caribbean, Bahamas, Mexico
Norwegian Getaway	2014	Europe, Caribbean, Bahamas, Mexico
Norwegian Breakaway	2013	Bermuda, Caribbean, Bahamas
Norwegian Epic	2010	Europe, Caribbean, Bahamas, Mexico
Norwegian Gem	2007	Bahamas, Caribbean, Canada, New England
Norwegian Jade	2006	Europe, Caribbean, Panama Canal, Mexico, Canada, New England
Norwegian Pearl	2006	Alaska, Bahamas, Caribbean, Pacific Coastal, Panama Canal, Mexico
Norwegian Jewel	2005	Alaska, Caribbean, Pacific Coastal, Panama Canal, Mexico, South Pacific, Australia and New Zealand
Pride of America	2005	Hawaii
Norwegian Dawn	2002	Bermuda, Caribbean, Canada, New England, Mexico
Norwegian Star	2001	Caribbean, Europe, Asia, Australia, New Zealand, Mexico, Panama Canal
Norwegian Sun	2001	Caribbean, Alaska, South America, Pacific Coastal, Mexico
Norwegian Sky	1999	Bahamas, Cuba
Norwegian Spirit	1998	Europe
Oceania Cruises		
Oceania Riviera	2012	Caribbean, Europe
Oceania Marina	2011	South America, Panama Canal, Mexico, South Pacific, Europe, Cuba
Oceania Nautica	2000	Asia, Africa, Europe
Oceania Sirena (2)	1999	Caribbean, South America, Panama Canal, South Pacific, Australia, New Zealand, Europe, Bermuda
Oceania Regatta	1998	Caribbean, Panama Canal, South America, Alaska, Mexico, Bermuda, Australia, New Zealand
Oceania Insignia	1998	Europe, Caribbean, South America, Asia, South Pacific, Australia, New Zealand, Canada, New England, Bermuda
Regent		
Seven Seas Explorer	2016	Caribbean, Europe, Mexico
Seven Seas Voyager	2003	Asia, Africa, Europe, South Pacific, Australia, New Zealand
	2001	Caribbean, South America, Panama Canal, Canada, New England, Alaska, Cuba

Seven Seas Mariner		
Seven Seas Navigator	1999	Caribbean, Panama Canal, Alaska, Canada, New England, Asia, Bermuda, Europe, South Pacific, Australia, New Zealand

(1) The table above does not include the eight ships on order.

(2) Sirena joined our fleet in 2016.

Our Competitive Strengths

We believe that the following business strengths will enable us to execute our strategy:

Rich Stateroom Mix

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

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of the Breakaway Plus Class Ships, offers the largest Haven complex to date with new outdoor fine dining providing expansive ocean views. The spacious and elegant accommodations on Oceania Cruises' six award-winning ships, the 684-Berth Regatta, Insignia and Nautica, and the 1,250-Berth Marina and Riviera, range from 160-square foot inside staterooms to opulent 2,030-square foot Owner's Suites. Oceania Cruises added a fourth 684-Berth ship with Sirena being placed in service in the spring of 2016. The Regent fleet is comprised of four ships — Seven Seas Voyager and Seven Seas Mariner feature all-suite, all-balcony accommodations; Seven Seas Navigator has accommodations with a majority including balconies; and Seven Seas Explorer, delivered in the summer of 2016, features all-suite, all-balcony accommodations with sophisticated designer suites ranging from 300 to 4,443 square feet that are amongst the highest space-to-guest and crew-to-guest ratios in the industry.

High-Quality Service

The Norwegian, Oceania Cruises and Regent brands all offer a high level of onboard service. We collaborate amongst the brands to provide an enhanced guest experience across all brands. Norwegian offers Freestyle Cruising with numerous dining venues. Oceania Cruises and Regent are known for their quality of service, including some of the highest crew-to-guest ratios in the industry and a staff trained to deliver personalized and attentive service in a country club, casual setting.

Diverse Selection of Premium Itineraries

We have expanded our already broad range of premium itineraries. Our fleet has a worldwide deployment, offering one to 180-day itineraries, including destinations in Scandinavia, Russia, the Mediterranean, the Greek Isles, Alaska, Canada and New England, Asia, Tahiti and the South Pacific, Australia and New Zealand, Africa, India, South America, the Panama Canal, and the Caribbean. We introduced a new destination, Harvest Caye, in November 2016. This destination in Southern Belize features Belize's only cruise ship pier, expansive seven acre white sand beach, 15,000 sq. ft. pool with swim up bar, multiple dining options and a nature center with wildlife experiences plus adventure tours.

Strong Cash Flow

We believe our business model will generate a significant amount of cash flow with high revenue visibility. All three of our brands afford the ability to pre-sell tickets, receive customer deposits and sell onboard activities in advance with long lead times ahead of sailing. In terms of newbuild capital expenditures, the cash flow impact is mitigated by export credit financing for all newbuild ships expected to be delivered through 2025 to fund approximately 80% of the contract price of each ship.

Highly Experienced Management Team

Our senior management team is comprised of executives with extensive experience in the cruise, travel, leisure and hospitality-related industries. Frank J. Del Rio is our President and Chief Executive Officer of NCLH. He has been successful in leading the integration of Norwegian, Oceania Cruises and Regent brands. Prior to this, he has been responsible for the financial and strategic development of Prestige. Mr. Del Rio founded Oceania Cruises in October 2002 and played a vital role in the development of Renaissance Cruises from 1993 to 2001. Andrew Stuart is our President and Chief Executive Officer of our Norwegian brand. Mr. Stuart joined Norwegian in 1988 and has held several Senior Management positions in Sales, Marketing and Passenger Services during his tenure before becoming President and Chief Executive Officer. Robert Binder is our Vice Chairman for the Oceania Cruises and Regent brands and President and Chief Executive Officer, Oceania Cruises brand and Jason M. Montague is our President and Chief Executive Officer for the Regent brand. Mr. Binder and Mr. Montague were instrumental in launching Oceania Cruises in 2002 and are widely regarded as its co-founders. Wendy Beck is our Executive Vice President and Chief Financial Officer. Ms. Beck has been with NCLH since 2010 and was instrumental in consummation of the IPO. For more on our senior management, see “Executive Officers” below.

Our Business Strategies

Driving Demand

We seek to attract vacationers to our products and services in several ways, including:

- delivering an enhanced, value-added vacation experience to our guests relative to other vacation alternatives via our market-to-fill strategy;
- creating diverse and unique itineraries in new and existing markets for our current and upcoming ships;
- utilizing effective marketing and sales force initiatives; and
- expanding internationally.

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Our market-to-fill strategy, itinerary diversification, marketing and sales force initiatives and international expansion strategies contribute to driving increased revenues for our fleet. Our market-to-fill strategy maintains pricing integrity by offering both the best price early in the booking cycle and value-added promotions when necessary to mitigate the need to compromise on price.

Diversification of deployment is achieved by our destination management team which reviews deployments across the fleet, either repositioning ships to new destinations or fine-tuning itineraries, with the goal of creating scarcity which, in turn, leads to higher pricing.

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

Lastly, our international expansion efforts are aimed at increasing brand awareness across the globe. We maintain numerous sales offices which support sales and marketing efforts in various markets outside of North America including the United Kingdom, Europe, China, Australia, Brazil, India, Japan and Singapore. We are also growing our deployment footprint by positioning our upcoming ship, Norwegian Joy, to sail year round voyages from China in a product designed for Chinese guests.

Leveraging Scale to Suppress Costs

We continue to leverage the combined purchasing power of our three brands to reduce costs throughout the organization. This initiative is bolstered by our Supply Chain and Logistics Management function which supports our three brands as well as our corporate and international offices.

Enhanced Product Offerings and Guest Experience

Norwegian's ships offer up to 28 dining options, a diverse range of accommodations and what we believe is the widest array of entertainment at sea. Oceania Cruises' award-winning onboard dining, with multiple open seating dining venues, is a central highlight of its cruise experience. Regent's all-inclusive offering includes air transportation, shore excursions, hotel packages, specialty restaurants, premium spirits and fine wines, gratuities, wi-fi and other amenities.

Maximize Revenue

We focus on growing revenue through various initiatives aimed at increasing ticket prices and Occupancy Percentages as well as onboard spending to drive higher overall revenue. Our specific initiatives include:

Strategic Relationships. We have strategic relationships with travel agencies and tour operators who commit to purchasing a certain level of inventory with long lead times.

Meetings, Incentives and Charters. We maintain our focus on the meetings, incentives and charters channel, which typically books very far in advance and can represent a significant portion of the ship, or even an entire sailing, in one transaction.

Promotional Strategy. With our Norwegian brand, we utilize a more inclusive product offering on certain sailings and in certain cabin selections which provides guests a choice of one to five onboard amenities.

Casino Player Strategy. We have non-exclusive arrangements with over 100 casino partners worldwide whereby loyal gaming guests are offered cruise reward certificates redeemable for cruises. Through property sponsored events and joint marketing programs, we have the opportunity to market cruises to these guests. These arrangements with casino partners have the dual benefit of filling open inventory and reaching guests expected to generate above average onboard revenue through the casino and other onboard spending.

Optimization of Deployment. We manage our ships' deployment to promote better breadth of itineraries and to offer sailings further in advance.

Disciplined Fleet Expansion

We have Norwegian Joy, Norwegian Bliss and one additional Breakaway Plus Class Ship on order for delivery in the spring of 2017, spring of 2018 and the fall of 2019, respectively. These ships will be the largest in our fleet, each reaching approximately 164,600 Gross Tons. With approximately 3,770 to 4,000 Berths each, they will be similar in design to our first Breakaway Plus Class Ship, Norwegian Escape, which was delivered in October 2015 and will include additional innovative features. We also have a contract to build a second Explorer Class Ship to be delivered in the winter of 2020. Project Leonardo consists of four ships on order with

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expected delivery dates through 2025 with an option for two additional ships for delivery in 2026 and 2027, subject to certain conditions. These four ships are each 140,000 gross tons with approximately 3,300 Berths. We have obtained export credit financing for the ships to fund approximately 80% of the contract price of each ship expected to be delivered through 2025, subject to certain conditions. We believe these new ships will allow us to continue expanding the reach of our brands, positioning us for accelerated growth and providing an optimized return on invested capital.

Expand and Strengthen Our Product Distribution Channels

As part of our growth strategy, we continually look for ways to deepen and expand our sales channels. We continue to invest in our brands by enhancing websites and passenger services departments through which travel agents and guests have the ability to book cruise vacations.

We focus on distribution through our three primary channels: “Retail/Travel Agent,” “International,” and “Meetings, Incentives and Charters.”

Retail/Travel Agent. The retail/travel agent channel represents the majority of our ticket sales. Our travel partner base is comprised of an extensive network of approximately 23,000 independent travel agencies including brick and mortar, internet-based and home-based operators located in North America, South America, Europe, Africa, Asia and Australia. We have made substantial investments with improvements in booking technologies, transparent pricing strategies, effective marketing tools, improved communication and cooperative marketing initiatives. We have expanded sales force teams who work closely with our travel agency partners on maximizing their marketing and sales effectiveness across all three of our brands. Our focused account management is designed to create solutions catered to the individual retailer through product and sales training. This education creates a deeper understanding of all our offerings.

International. We continue to accelerate our international expansion efforts, building on initiatives rolled out in 2015 that focused on increasing our presence in the fast growing Asia Pacific region. We announced the re-deployment of Norwegian Star and later Norwegian Jewel to the Australasia region, along with the opening of our sales office in Sydney, Australia which services the growing demand from the Asia Pacific region for cruises across our three brands.

Our entry into the Chinese market includes a multi-pronged strategy to expand our presence in what we believe is positioned to become the world’s second largest cruise market. We began with the opening of sales and marketing offices in Shanghai, Beijing and Hong Kong that will serve dual purposes. These offices will look to source Chinese guests for international cruises across our three brands, which together combine to form a broad portfolio of voyages and itineraries to every corner of the globe that a Chinese cruiser would look to sail. These offices will support our

travel partners to source locally for our China-dedicated venture, Norwegian Joy, being launched in the spring of 2017, which will be purpose-built for Chinese consumers. The ship will be designed to deliver a blend of the Norwegian brand's offering of freedom and flexibility with amenities and features that will resonate with Chinese guests.

For information regarding risks associated with our international operations, see Part I Item 1A-Risk Factors in this annual report on Form 10-K, including the risk factor titled "Conducting business internationally may result in increased costs and risks."

Meetings, Incentives and Charters. This channel focuses on full ship charters as well as corporate meetings and incentive travel. These sales often have very long lead times and can fill a significant portion of the ship's capacity, or even an entire sailing, in one transaction. The acquisition of Sixthman in 2012, a company specializing in developing and delivering music-oriented charters, opened up a new market for travel partners enabling travel partners to sell high-quality music experiences at sea to guests.

Itineraries

We offer cruise itineraries ranging from one to 180-days calling on worldwide locations, including destinations in Scandinavia, Russia, the Mediterranean, the Greek Isles, Alaska, Canada and New England, Asia, Tahiti and the South Pacific, Australia and New Zealand, Africa, India, South America, the Panama Canal, and the Caribbean. We have developed, and are continuing to develop, innovative itineraries to position our ships in new and niche markets as well as in the mainstream markets throughout the Americas and Europe.

We believe that these destination-focused itineraries, complemented by a comprehensive shore excursion program (which is included in the all-inclusive fare for cruises on the Regent ships), differentiate our brands from many of our competitors. We call on varied destinations, many of which include overnight stays in port, allowing guests to have more in-depth experiences than would otherwise be possible in only a single day port call.

For some of our longer itineraries, we strive to maximize profitability by selling segments of the longer itineraries as shorter cruises (i.e., which last 7 to 20 days) in order to capture more time-constrained customers. We believe the deployment flexibility created by the use of longer itineraries translates off-peak seasons into more profitable portions of longer cruises.

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We have bolstered our presence internationally by opening sales offices in Shanghai, Beijing, Hong Kong, Sydney, Singapore, Tokyo and Mumbai which will further increase sourcing from these source markets for all three brands.

In addition to expanding our international sourcing efforts, we are in the process of deploying our vessels to new destinations around the world. Norwegian Star and Norwegian Jewel will homeport year-round in the Asia Pacific region with itineraries that include many of the region's ports.

Additionally, all three of our brands have received approval from the government of the Republic of Cuba to operate cruises to the island beginning in 2017. These historic sailings will begin in March 2017, and offer U.S. travelers the opportunity to visit the culturally and historically rich country on select Caribbean sailings that include calls in the historic city of Havana through December 2017.

Passenger Ticket Revenue

We offer our guests a wide variety of cruise fare options when booking a cruise. Our cruise ticket prices generally include cruise fare and a wide variety of onboard activities and amenities, including meals and entertainment. In some instances, cruise ticket prices include round-trip airfare to and from the port of embarkation, complimentary beverages, unlimited shore excursions and pre-cruise hotel packages. Prices vary depending on the particular cruise itinerary, stateroom category selected and the time of year that the voyage takes place.

Onboard and Other Revenue

All three brands generate onboard and other revenue for additional products and services which are not included in the cruise fare, including casino operations, certain food and beverage, gift shop purchases, spa services, photo services and other similar items. Food and beverage, casino operations and shore excursions are generally managed directly by us while retail shops, spa services, art auctions and some internet services may be managed through contracts with third-party concessionaires. These contracts generally entitle us to a fixed percentage for the gross sales derived from these concessions. Norwegian's ticket prices typically include cruise accommodations, meals in certain dining facilities and many onboard activities such as entertainment, pool-side activities and various sports programs. Norwegian generates additional revenue on our ships from casino operations, food and beverage, shore excursions, gift shop purchases, spa services, photo services and other similar items. To maximize onboard revenue, Norwegian uses various cross-marketing and promotional tools which are supported by point-of-sale systems permitting "cashless" transactions for the sale of these products and services. Oceania Cruises' offerings may include air transportation and certain other amenities. Regent's offerings typically include air transportation, a pre-cruise hotel night stay (for concierge level and above), premium wines and top shelf liquors, gratuities and unlimited shore excursions. Both Regent and Oceania Cruises generate additional revenue from casino operations, gift shop purchases, premium shore

excursions and spa services.

Onboard and other revenue accounted for 30%, 28% and 30% of our consolidated revenue in 2016, 2015 and 2014, respectively.

Revenue Management Practices

Our revenue management function performs extensive analyses in order to determine booking history and trends by sailing, stateroom category, travel partner, market segment, itinerary and distribution channel in order to determine cruise ticket pricing. We concentrate on improving early booking occupancy rates to drive higher Net Yields. We execute targeted and high-frequency marketing campaigns that communicate a message of a value-packed cruise offering in both North American and select international markets. To increase the effectiveness of these targeted marketing programs, we emphasize communication to keep the travel agents engaged and informed and utilize call centers focusing on both inbound calls and outbound calls to high potential targeted customers. This marketing strategy assists in maximizing the revenue potential from each customer contact generated by various marketing campaigns. We believe these strategies and other initiatives executed by our distribution channels will drive sustainable growth in the number of guests carried and in Net Yields achieved.

Seasonality

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

Competition

Our primary competition includes operators such as Carnival Corporation & Carnival plc, which owns and operates Carnival Cruise Line, Holland America Line, Princess Cruises and Seabourn Cruise Line, among others, and Royal Caribbean Cruises Ltd., which

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owns and operates Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises, among others, as well as other cruise lines such as Crystal Cruises, Silversea Cruises and Viking Ocean Cruises. In addition, we compete with land-based vacation alternatives, such as hotels and resorts, vacation ownership properties, casinos, and tourist destinations throughout the world.

Sales of cruises and onboard offerings are subject to consumer discretionary spending levels and may be influenced by geopolitical events and economic conditions generally.

Marketing Strategy

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

Building customer loyalty among our past guests is an important element of our marketing strategy. We believe that attending to the needs and motivations of our past guests creates a cost-effective means of attracting business, particularly to our new ships and itineraries, because past guests are familiar with our brands, products and services and often return to cruise with us. We have shared customer databases across our brands to further enhance our communications with our past guests who receive newsletters and mailings with informative destination and product information and promotional amenities. Continued investments in our websites is also key to ensuring the optimal pre-cruise planning experience offering guests the ability to shop, reserve and purchase a breadth of onboard products and services. We have a strong communications stream that provides customized pre-cruise information to help guests maximize their cruise experience as well as a series of communications to welcome them home and ultimately engage them in booking another cruise.

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

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

Ship Operations and Cruise Infrastructure

Ship Maintenance and Logistics

Sophisticated and efficient maintenance and operations systems support the technical superiority and modern look of our fleet. In addition to routine repairs and maintenance performed on an ongoing basis and in accordance with applicable requirements, each of our ships is generally taken out of service, approximately every 24 to 60 months, for a period of one or more weeks for scheduled maintenance work, repairs and improvements performed in Dry-dock. Dry-dock interval is a statutory requirement controlled under IMO requirements reflected in chapters of the International Convention of the Safety of Life at Seas (“SOLAS”) and to some extent the International Load Lines Convention. Under these regulations, it is required that a passenger ship Dry-dock once in five years (depending on age of vessel), twice in 5 years (depending on flag state and age of vessel) and the maximum interval between each Dry-dock cannot exceed 3 years (depending age of vessel and flag state). However, most of our international ships qualify under a special exemption provided by the Bahamas and/or Marshall Islands (flag state), as applicable, after meeting certain criteria set forth by the ship’s flag state to Dry-dock once every 5 years. To the extent practical, each ship’s crew, catering and hotel staff remain with the ship during the Dry-dock period and assist in performing repair and maintenance work. Accordingly, Dry-dock work is typically performed during non-peak demand periods to minimize the adverse effect on revenue that results from ships being out of service. Dry-docks are typically scheduled in spring or autumn and depend on shipyard availability.

Suppliers

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

Crew and Staff

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

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We place the utmost importance on the safety of our guests and crew. We operate all of our vessels to meet and exceed the requirements of SOLAS and International Management Code for the Safe Operation of Ships and for Pollution Prevention (“ISM Code”), the international safety standards which govern the cruise industry. Every crew member is well trained in the Company’s stringent safety protocols, participating in regular safety trainings, exercises and drills onboard every one of our ships.

Our captains are experienced seafarers. We further ensure that our captains regularly undergo rigorous training on navigation and bridge operations. To assist our captains and officers while at sea, we have extensive navigation protocols in place. Our bridge operations are based on robust navigational procedures and risk analysis. Our bridge teams follow pre-set voyage plans which are thoroughly reviewed and discussed by the captain and bridge team prior to port departures and arrivals. In addition, all of our ships employ the latest state-of-the-art navigational equipment and technology to ensure that our bridge teams have the most accurate data regarding the planned itinerary.

Prior to every cruise setting sail or upon departure, we hold a mandatory safety drill for all guests during which important safety information is reviewed and demonstrated. We also show an extensive safety video which runs continuously on the stateroom televisions. Our fleet is equipped with modern navigational control and fire prevention and control systems. In recent years, our ships have continuously been upgraded and include internal and external regulatory audits.

We have developed Safety Management Systems (“SMS”), which establish policies, procedures, training, qualification, quality, compliance, audit and self-improvement standards for all employees, both shipboard and shoreside. SMS also provides real-time reports and information to support the fleet and risk management decisions. Through these systems, our senior managers, as well as ship management, can focus on consistent, high quality operation of the fleet. Our SMS are approved and audited regularly by our classification society, Lloyds Register, and they also undergo regular internal audits as well as annual/semiannual inspections by the U.S. Coast Guard, flag state and other port and state authorities. We screen and train our crew to ensure crew familiarity and proficiency with the safety equipment onboard. Various safety measures have been implemented on all of our ships and additional personnel have been appointed in our ship operations departments.

Insurance

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

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

Protection and indemnity insurance (coverage for passenger, crew and third-party liabilities), including insurance against risk of pollution liabilities;

War risk insurance, including terrorist risk insurance. The terms of our war risk policies include provisions where underwriters can give seven days' notice to the insured that the policies will be cancelled in the event of a change of risk which is typical for policies in the marine industry. Upon any proposed cancellation the insurer shall, before expiry of the seven day period, submit new terms; and

Insurance for our shoreside property and general liability risks.

We believe that all of our insurance coverage, including those noted above, is subject to market-standard limitations, exclusions and deductible levels.

The Athens Convention Relating to the Carriage of Passengers and Their Luggage by Sea (1974) (the "Athens Convention") and the Protocol to the Athens Convention Relating to the Carriage of Passengers and Their Luggage by Sea (1976) (the "1976 Protocol") are generally applicable to passenger ships. The U.S. has not ratified the Athens Convention; however, with limited exceptions, the 1976 Protocol may be contractually enforced with respect to cruises that do not call at a U.S. port. The IMO Diplomatic Conference agreed to a new protocol to the Athens Convention on November 1, 2002 (the "2002 Protocol"). The 2002 Protocol, which took effect on April 23, 2014, establishes for the first time a level of compulsory insurance which must be maintained by passenger ship operators with a right of direct action against the insurer. In addition, on December 31, 2012, the European Union ("EU") Passenger Liability Regulation became effective and requires us to carry a minimum level of financial responsibility per passenger per incident. We believe the amount of our protection and indemnity policy coverage provides the compulsory insurance; however, no assurance can be given that affordable and secure insurance markets will remain available to provide the level and type of coverage required.

Trademarks

Under the Norwegian brand, we own a number of registered trademarks relating to, among other things, the names "NORWEGIAN CRUISE LINE," "FEEL FREE," "CRUISE LIKE A NORWEGIAN," the names of our ships (except where trademark applications for these have been filed and are pending), incentive programs and specialty services rendered on our ships and specialty accommodations such as "THE HAVEN BY NORWEGIAN." In addition, we own registered trademarks relating to the

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“FREESTYLE” family of names, including, “FREESTYLE CRUISING,” “FREESTYLE DINING” and “FREESTYLE VACATION.” We believe that these trademarks are widely recognized throughout North America, Europe and other areas of the world and have considerable value.

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

Under the Regent brand, we own registered trademarks relating to, among other things, the names “SEVEN SEAS CRUISES,” those of our ships and “LUXURY GOES EXPLORING.” We also claim common law rights in trade names used in conjunction with our ships, incentive programs, customer loyalty program and specialty services rendered onboard our ships.

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

Regulatory Issues

Registration of Our Ships

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

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

Environmental Protection

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

The International Maritime Organization's convention entitled Prevention of Pollution from Ships ("MARPOL") specifies requirements for Emission Control Areas ("ECAs") with stricter limitations on sulfur emissions in these areas. Ships operating in the Baltic Sea ECA, the North Sea/English Channel ECA, the North American ECA and the U.S. Caribbean Sea ECA are required to use fuel with a sulfur content of no more than 0.1% or use approved alternative emission reduction methods. Other additional ECAs may also be established in the future, with areas around Australia, Hong Kong, Japan, the Mediterranean Sea and Mexico being considered.

The MARPOL global limit on fuel sulfur content, established by the IMO, when vessels are outside of ECAs will be reduced to 0.5% from the current 3.5% global limit beginning January 2020. The 0.5% global limit was reviewed to determine the availability of fuel oil to comply with this standard. This review took into account supply and demand in the global fuel oil market, an analysis of trends in fuel oil markets and other relevant issues. The result of the review, was to confirm the date of implementation as January 2020. The European Union Parliament and Council has set January 2020 as the final date for the 0.5% fuel sulfur limit to enter force prior to the IMO review.

Starting September 8, 2017, the MARPOL Ballast Water Management Convention ("The Convention") will govern the discharge of ballast water from ships. Ballast water, which is seawater held onboard ships and used for stabilization, can contain a variety of marine species. The Convention is designed to regulate the treatment and discharge of ballast water to avoid the transfer of marine species to new, different, or potentially unsuitable environments.

Recently adopted amendments to MARPOL will make the Baltic Sea a "Special Area" where sewage discharges from passenger ships will be prohibited. Stricter discharge restrictions are currently in effect for new passenger ships whose construction began after January 1, 2016, and for existing passenger ships starting in 2018. The underlying requirements may impact our operations unless

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

In the U.S., the Clean Water Act of 1972, and other laws and regulations, provide the Environmental Protection Agency (“EPA”) with the authority to regulate commercial vessels’ incidental discharges of ballast water, bilge water, gray water, anti-fouling paints and other substances during normal operations while a vessel is on inland waters, within three nautical miles of land, and in designated federally protected waters. The U.S. National Pollutant Discharge Elimination System (“NPDES”), authorized by the Clean Water Act, was established to reduce pollution within U.S. territorial waters. For our affected ships, all of the NPDES requirements are set forth in the EPA’s Vessel General Permit (“VGP”). The VGP establishes effluent limits for 27 specific discharges incidental to the normal operation of a vessel. In addition to these discharge and vessel specific requirements, the VGP includes requirements for inspections, monitoring, reporting and recordkeeping.

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

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

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

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

With regard to air emissions from seagoing ships, the European Commission's ("EC") strategy is to require the use of low sulfur (less than 0.1%) marine gas oil in EU ports. Passenger ships on regular service to EU ports are required to use fuels containing a maximum sulfur content of 1.5%.

In addition to the existing legal requirements, we are committed to helping to preserve the environment, because a clean, unspoiled environment is a key element that attracts guests to our ships. Furthermore, NCL (Bahamas) Ltd. and NCL (America) LLC are certified under the International Organization for Standardization's 14001 Standard. This voluntary standard sets requirements for establishment and implementation of a comprehensive environmental management system which we have adopted for our operations. Currently we operate under an Environmental Management System that is incorporated into the Company's SMS.

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

Permits for Glacier Bay, Alaska

In connection with certain Alaska cruise operations, we rely on concession permits from the U.S. National Park Service to operate our ships in Glacier Bay National Park and Preserve. We currently hold a concession permit allowing for 22 calls per summer cruising season through September 30, 2019. However, there can be no assurance that such permit will be renewed when necessary or that regulations relating to the renewal of such permit will remain unchanged in the future.

Passenger Well-Being

In the U.S., we must meet the U.S. Public Health Service's requirements, which include vessel ratings by inspectors from the Vessel Sanitation Program of the Centers for Disease Control and Prevention ("CDC") and the U.S. Food and Drug Administration ("FDA"). We rate at the top of the range of CDC and FDA scores achieved by the major cruise lines. In addition, the cruise industry and the

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U.S. Public Health Service have agreed on regulations for food, water and hygiene, aimed at proactively protecting the health of travelers and preventing illness transmission to U.S. ports.

Security and Safety

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

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

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

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

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

Maritime-Labor

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

Financial Requirements

The Federal Maritime Commission (“FMC”) requires evidence of financial responsibility for those offering transportation on passenger ships operating out of U.S. ports to indemnify passengers in the event of non-performance of the transportation. Accordingly, each of our three brands are required to maintain a \$30.0 million third-party performance guarantee in respect of liabilities for non-performance of transportation and other obligations to passengers. The guarantee requirements are subject to additional consumer price index-based adjustments. Also, our brands have a legal requirement to maintain a security guarantee based on cruise business originated from the U.K. As of December 31, 2016, approximately British Pound Sterling 10.5 million was in place as a security guarantee. We also are required to establish financial responsibility by other jurisdictions to meet liability in the event of non-performance of our obligations to passengers from those jurisdictions.

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

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

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Taxation

U.S. Income Taxation

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

Exemption of International Shipping Income under Section 883 of the Code

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

NCLH is incorporated in Bermuda, a qualified foreign country which grants an equivalent exemption, and NCLH meets the publicly traded test because its ordinary shares are primarily and regularly traded on the NASDAQ Global Select Market, which is considered to be an established securities market in the U.S. Therefore, we believe that NCLH qualifies for the benefits of Section 883.

We believe and have taken the position that substantially all of NCLH’s income, including the income of its ship-owning subsidiaries, is properly categorized as shipping income, and that we do not have a material amount of non-qualifying income. It is possible, however, that the IRS interpretation of shipping income could differ from ours and that a much larger percentage of our income does not qualify (or will not qualify) as shipping income. Moreover, the exemption for shipping income is only available for years in which we will satisfy complex tests under Section 883. There are factual circumstances beyond our control, including changes in the direct and indirect owners of NCLH’s ordinary shares, which could cause NCLH or its subsidiaries to lose the benefit of the exemption under

Section 883. Further, any changes in our operations could significantly increase our exposure to taxation on shipping income, and we can give no assurances on this matter.

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

For U.S. federal income tax purposes, Regent and its non-U.S. subsidiaries are disregarded as entities separate from their immediate foreign parent (PCH) and Oceania Cruises is treated as a corporation. For 2015 and 2016, both Regent and Oceania Cruises relied on NCLH's ability to meet the requirements necessary to qualify for the benefits of Section 883 as discussed above. For 2014, both Regent and Oceania Cruises relied on PCH's ability to meet the requirements necessary to qualify for the benefits of Section 883. PCH is organized as a company in Panama, which grants an equivalent tax exemption to U.S. corporations, and is thus classified as a qualified foreign country for purposes of Section 883. PCH was classified as a CFC for the taxable year ended December 31, 2014, and we believe PCH met the ownership and substantiation requirements of the CFC test under the regulations for that year.

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

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

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

If we do not qualify for exemption under Section 883, or if the provision was repealed, then any U.S.-sourced shipping income or any other income that is considered to be effectively connected income would be subject to federal corporate income taxation on a net basis (generally at a 35% rate) and state and local taxes, and our effectively connected earnings and profits may also be subject to an additional branch profits tax of 30%, unless a lower treaty rate applies (the "Net Tax Regime"). Our U.S. source shipping income is

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considered effectively connected income if we have, or are considered to have, a fixed place of business in the U.S. involved in the earning of U.S. source shipping income, and substantially all of our U.S. source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the U.S.

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

Other United States Taxation

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

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

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

U.K. Income Taxation

As a result of a restructuring, NCLH and NCLC became tax residents of the U.K. and are subject to normal U.K. corporation tax.

U.S. Taxation of Gain on Sale of Vessels

Gains from the sale of vessels should generally also be exempt from tax under Section 883 provided NCLH qualifies for exemption from tax under Section 883 in respect of our shipping income. If, however, our gain does not qualify for exemption under Section 883, or if the provision was repealed, then such gain could be subject to either the Net Tax Regime or the 4% Tax Regime.

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

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

Changes in Tax Laws

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

Employees

As of December 31, 2016, we employed approximately 3,000 full-time employees worldwide in our shoreside operations and approximately 27,000 shipboard employees. Regent and Oceania Cruises' ships also utilize a third party to provide additional hotel and restaurant employees onboard. We refer you to "Risk Factors—Amendments to the collective bargaining agreements for crew members of our fleet and other employee relation issues may materially adversely affect our financial results" for more information regarding our relationships with union employees and our collective bargaining agreements that are currently in place.

Ports and Facilities

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

an agreement with the Government of Bermuda whereby we are permitted weekly calls in Bermuda through 2022 from Boston and New York.

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- a contract with the New York City Economic Development Corporation pursuant to which we receive preferential berthing rights at the Manhattan Cruise Terminal.
- contracts with the Port of New Orleans, the Port of Miami, Port Canaveral and the Port of Tampa pursuant to which we receive preferential Berths to the exclusion of other vessels for certain specified days of the week at the cities' cruise ship terminals.
- a concession permit with the U.S. National Park Service whereby our ships are permitted to call on Glacier Bay during each summer cruise season through September 30, 2019.
- an agreement with the British Virgin Islands Port Authority granting priority berthing rights for a 15-year term with two options to extend the agreement for additional five year terms.
- an agreement with the West Indian Company Limited granting priority berthing rights in St. Thomas for a 10-year term with an option to extend the agreement for an additional five years.
- a 15-year lease agreement with the Port of Seattle where we have committed to a capital investment to develop the port for approximately \$30 million and the port has committed to reimburse \$15 million.

Segment Reporting

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

Although we sell cruises on an international basis, our passenger ticket revenue is primarily attributed to U.S.-sourced guests who make reservations in the U.S. Revenue attributable to U.S.-sourced guests was 81%, 75 % and 73% for the years ended December 31, 2016, 2015 and 2014, respectively. No other individual country's revenues exceeded 10% in any of our last three years.

Revenues by destination were as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
North America	\$3,132,208	\$2,743,007	\$2,388,457
Europe	1,148,403	1,120,705	629,457
Asia-Pacific	196,978	198,131	41,261
Other	396,751	283,205	66,706
Total Revenues	\$4,874,340	\$4,345,048	\$3,125,881

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Substantially all of our long-lived assets are located outside of the U.S. and consist primarily of our ships. We have 16 ships with Bahamas registry with a carrying value of \$7.1 billion and \$7.2 billion as of December 31, 2016 and 2015, respectively. We have seven ships with Marshall Island registry with a carrying value of \$1.9 billion as of December 31, 2016 and six ships with Marshall Island registry with a carrying value of \$1.4 billion as of December 31, 2015. We also have one ship with U.S. registry with a carrying value of \$0.3 billion as of December 31, 2016 and 2015.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information with the SEC. You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public at the SEC's website at <http://www.sec.gov>.

We also maintain an Internet site at <http://www.nclhldinvestor.com>. We will, as soon as reasonably practicable after we electronically file or furnish our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports if applicable, make available such reports free of charge on our website. **Our website and the information contained therein or connected thereto are not incorporated into this annual report on Form 10-K.**

Executive Officers

The following table sets forth certain information regarding NCLH's executive officers as of February 17, 2017.

Name	Age	Position
Frank J. Del Rio	62	Director, President and Chief Executive Officer
Wendy A. Beck	52	Executive Vice President and Chief Financial Officer
Robert Binder	52	Vice Chairman Oceania Cruises and Regent, President and Chief Executive Officer, Oceania Cruises brand
Jason M. Montague	43	President and Chief Executive Officer, Regent brand
Andrew Stuart	53	President and Chief Executive Officer, Norwegian brand
T. Robin Lindsay	59	Executive Vice President, Vessel Operations
Harry Sommer	49	Executive Vice President, International Business Development
Faye L. Ashby	45	Senior Vice President and Chief Accounting Officer
Daniel S. Farkas	48	Senior Vice President, General Counsel and Assistant Secretary

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

Frank J. Del Rio has served as President and Chief Executive Officer of NCLH since January 2015 and became a director of NCLH in August 2015. Mr. Del Rio has been responsible for the successful integration of NCLH and Prestige and oversees the financial, operational and strategic performance of the Norwegian, Regent and Oceania Cruises brands. Mr. Del Rio founded Oceania Cruises in October 2002 and served as Chief Executive Officer of Prestige or its predecessor from October 2002 through September 2016. Mr. Del Rio was instrumental in the growth of Oceania Cruises and Regent. Prior to founding Oceania Cruises, Mr. Del Rio played a vital role in the development of Renaissance Cruises, serving as Co-Chief Executive Officer, Executive Vice President and Chief Financial Officer from 1993 to April 2001. Mr. Del Rio holds a B.S. in Accounting from the University of Florida and is a Certified Public Accountant (inactive license).

Wendy A. Beck has served as the Executive Vice President and Chief Financial Officer of the Company since September 2010. Prior to joining us, Ms. Beck served as Executive Vice President and Chief Financial Officer of Domino's Pizza, Inc. from May 2008 to August 2010. Prior to that she served as Senior Vice President, Chief Financial Officer and Treasurer of Whataburger Restaurants, LP from May 2004 through April 2008 and served as their Vice President and Chief Accounting Officer from August 2001 through April 2004. Ms. Beck was also employed at Checkers Drive-In Restaurants, Inc. from 1993 through July 2001, serving as their Vice President, Chief Financial Officer and Treasurer from 2000 through July 2001. Ms. Beck currently sits on the board of directors and chairs the audit committee for At Home Corporation (NYSE: HOME). Ms. Beck holds a B.S. in Accounting from the University of South Florida and is a Certified Public Accountant (inactive license).

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

Jason M. Montague has served as President and Chief Executive Officer of the Regent brand since September 2016 and as President and Chief Operating Officer for the Regent and Oceania Cruises brands from December 2014 until September 2016. Prior to NCLH's Acquisition of Prestige, Mr. Montague served as Chief Financial Officer and

Executive Vice President of Prestige from September 2010 until November 2014. Mr. Montague worked on the integration of NCLH and Prestige as the Executive Vice President and Chief Integration Officer of NCLH. He was instrumental in launching Oceania Cruises in 2002 and is widely regarded as one of its co-founders. Mr. Montague served as Oceania Cruises' Vice President and Treasurer from 2004 to 2007 and Senior Vice President of Finance from 2008 to 2010. Mr. Montague has seen Oceania Cruises through the purchase of its initial R-class ships, the equity investment by Apollo Global Management, LLC, the acquisition of Regent, the financing and delivery of Oceania Cruises' newbuilds, Marina and Riviera and the Acquisition of Prestige by NCLH. Prior to joining Oceania Cruises, Mr. Montague operated a successful consulting practice focused on strategic planning and development of small to medium-sized companies. Previously, he held the position of Vice President Finance for Alton Entertainment Corporation, a brand equity marketer that was majority owned by the Interpublic Group of Companies. Mr. Montague holds a BBA in Accounting from the University of Miami.

Andrew Stuart has served as the President and Chief Executive Officer for the Norwegian brand since September 2016 and as President and Chief Operating Officer for the Norwegian brand from March 2015 until September 2016. He was previously our Executive Vice President, Global Sales and Passenger Services from November 2008 until March 2015. From April 2008 through September 2008, he held the position of Executive Vice President and Chief Product Officer. From September 2003 through March 2008, he served as Executive Vice President of Marketing, Sales and Passenger Services. Prior to that, he was our Senior Vice President of Passenger Services as well as Vice President of Sales Planning. He joined us in August 1988 in our London office holding various Sales and Marketing positions before relocating to our headquarters in Miami. Mr. Stuart earned a Bachelor of Science degree in Catering Administration from Bournemouth University, United Kingdom.

T. Robin Lindsay has served as Executive Vice President, Vessel Operations, for NCLH since January 2015. From November 2014 until January 2015, Mr. Lindsay served as Executive Vice President, Newbuild, for Prestige. Prior to the Acquisition of Prestige, he

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served as the Executive Vice President of Vessel Operations for Prestige from January 2008 until November 2014 and Senior Vice President of Hotel Operations from February 2003 until January 2008 and oversaw all marine, technical and hotel operations. Mr. Lindsay was instrumental in the extensive refurbishment and launch of Oceania Cruises' Regatta, Insignia and Nautica and the development of the Marina and Riviera. Mr. Lindsay possesses a substantial amount of experience in the cruise industry and has overseen the design and construction of many of the industry's most acclaimed cruise ships. Prior to joining Oceania Cruises in 2003, Mr. Lindsay was the Senior Vice President of Vessel Operations at Silversea Cruises and, prior to that, Vice President of Operations at Radisson Seven Seas Cruises. Mr. Lindsay earned his B.S. degree from Louisiana Tech University.

Harry Sommer has served as Executive Vice President, International Business Development for NCLH since May 2015. From February 2015 until May 2015, he served as Executive Vice President and Chief Integration Officer for NCLH. Mr. Sommer previously served as Senior Vice President and Chief Marketing Officer of Prestige from October 2013 until February 2015, Senior Vice President, Finance, and Chief Information Officer of Prestige from September 2011 until October 2013 and Senior Vice President, Accounting, Chief Accounting Officer and Controller of Prestige from August 2009 until August 2011. Prior to joining Prestige, Mr. Sommer was the co-founder and President of Luxury Cruise Center, a high-end travel agency and prior to that held various marketing and finance roles at Renaissance Cruises. Mr. Sommer holds an MBA from Pace University and a BBA from Baruch College.

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

Daniel S. Farkas has served as Senior Vice President and General Counsel of the Company since February 2008 and as Assistant Secretary of the Company since 2013. Since Mr. Farkas joined us in January 2004, he has held the positions of Secretary from 2010 to 2013, Vice President and Assistant General Counsel from 2005 to 2008, and Assistant General Counsel from 2004 to 2005. Mr. Farkas was formerly a partner in the Miami offices of the law firm Mase and Gassenheimer specializing in maritime litigation. Before that he was an Assistant State Attorney for the Eleventh Judicial Circuit in and for Miami-Dade County, Florida. Mr. Farkas currently serves on the board of directors of Camillus House, the Cruise Industry Charitable Foundation and the Steamship Mutual Underwriting Association Limited. Mr. Farkas earned a Bachelor of Arts degree Cum Laude with honors in English and American Literature from Brandeis University and a Juris Doctorate degree from the University of Miami.

Item 1A. Risk Factors

In addition to the other information contained in this annual report, you should carefully consider the following risk factors in evaluating us and our business. If any of the risks discussed in this annual report actually occur, our business, financial condition and results of operations could be materially adversely affected. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition and results of operations. In connection with the forward-looking statements that appear in this annual report, you should also carefully review the cautionary statement referred to under “Cautionary Statement Concerning Forward-Looking Statements.”

Risks Related to the Company

The adverse impact of general economic and related factors, such as fluctuating or increasing levels of unemployment, underemployment and the volatility of fuel prices, declines in the securities and real estate markets and perceptions of these conditions can decrease the level of disposable income of consumers or consumer confidence. The demand for cruises is affected by international, national and local economic conditions.

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

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

The threat or possibility of future terrorist acts, an outbreak of hostilities or armed conflict abroad or the possibility or fear of such events, political unrest and instability, the issuance of travel advisories or elevated national threat warnings by national governments,

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an increase in the activity of pirates, and other geo-political uncertainties have had in the past and may again in the future have an adverse impact on the demand for cruises, and consequently, the pricing for cruises. Decreases in demand and reduced pricing in response to such decreased demand would adversely affect our business by reducing our profitability.

Conducting business internationally may result in increased costs and risks.

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

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

We have operations in and source passengers from the United Kingdom and other member countries of the European Union. On June 23, 2016, voters in the United Kingdom approved an advisory referendum to withdraw from the European Union. The proposed withdrawal has resulted in increased volatility in the global financial markets and caused severe volatility in global currency exchange rate fluctuations that resulted in the strengthening of the U.S. dollar against foreign currencies, such as the euro, in which we do business. The proposed withdrawal could potentially adversely affect tax, legal and regulatory regimes to which our business in the region is subject. The withdrawal could also, among other potential outcomes, disrupt the free movement of goods, services and people between the United Kingdom and the European Union. Further, uncertainty around these issues could lead to adverse effects on the economy of the United Kingdom and the other economies in which we operate making it more difficult to source passengers from these regions. These events could have a material adverse effect on our business, financial condition and results of operations.

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

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

Breaches in data security or other disturbances to our information technology and other networks could impair our operations and have a material adverse impact on our business, financial condition and results of operations.

The integrity and reliability of our information technology systems and other networks are crucial to our business operations. Disruptions to these networks could impair our operations and have an adverse impact on our financial results and negatively affect our reputation and customer demand. In addition, certain networks are dependent on third-party technologies, systems and service providers for which there is no certainty of uninterrupted availability. Among other things, actual or threatened natural disasters (e.g., hurricanes, earthquakes, tornadoes, fires, floods) or similar events, information systems failures, computer viruses, denial of service attacks and other cyber-attacks may cause disruptions to our information technology, telecommunications and other networks. While we have and continue to invest in business continuity, disaster recovery, data restoration plans and data and information technology security, we cannot completely insulate ourselves from disruptions that could result in adverse effects on our operations and financial results. We carry limited business interruption insurance for certain shoreside operations, subject to limitations, exclusions and deductibles.

We have also made significant investments in our information technology systems to optimize booking procedures, enhance the marketing power of our websites and control costs. Any unauthorized use of our information systems to gain access to sensitive information, corrupt data or create general disturbances in our operations systems could impair our ability to conduct business and damage our reputation. If our security systems were breached, we could be exposed to cyber-related risks and malware, and credit card and other sensitive data could be at risk. For example, in the processing of our guest transactions and as part of our ordinary business operations, we and certain of our third-party service providers collect, process, transmit and store a large volume of

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personally identifiable information, including email addresses and home addresses and financial data such as credit card information. The security of the systems and network where we and our service providers store this data is a critical element of our business, and these systems and our network may be vulnerable to computer viruses, hackers and other security issues. We cannot assure you that the precautions we have taken to avoid an unauthorized incursion of our information systems are either adequate or implemented properly to prevent a data breach and its adverse financial and reputational consequences to our business. We are also subject to laws relating to privacy of personal data. The compromise of our information systems resulting in the loss, disclosure, misappropriation of or access to the personally identifiable information of our guests, prospective guests or employees could result in governmental investigation, civil liability or regulatory penalties under laws protecting the privacy of personal information, any or all of which could disrupt our operations and materially adversely affect our business. Additionally, any material failure by us or our service providers to maintain compliance with the Payment Card Industry security requirements or to rectify a data security issue may result in fines and restrictions on our ability to accept credit cards as a form of payment.

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

Epidemics and viral outbreaks could have an adverse effect on our business, financial condition and results of operations.

Public perception about the safety of travel and adverse publicity related to passenger or crew illness, such as incidents of viral illnesses, stomach flu or other contagious diseases, may impact demand for cruises and result in cruise cancellations and employee absenteeism. If any wide-ranging health scare should occur, our business, financial condition and results of operations would likely be adversely affected.

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

The operation of cruise ships carries an inherent risk of loss caused by adverse weather conditions and maritime disasters, including, but not limited to, oil spills and other environmental mishaps, fire, mechanical failure, collisions,

human error, war, terrorism, piracy, political action, civil unrest and insurrection in various countries and other circumstances or events. Any such event may result in loss of life or property, loss of revenue or increased costs. The operation of cruise ships also involves the risk of other incidents at sea or while in port, including missing guests, inappropriate crew or passenger behavior and onboard crimes, which may bring into question passenger safety, may adversely affect future industry performance and may lead to litigation against us. Although we place passenger safety as the highest priority in the design and operation of our fleet, we have experienced accidents and other incidents involving our cruise ships and there can be no assurance that similar events will not occur in the future. It is possible that we could be forced to cancel a cruise or a series of cruises due to these factors or incur increased port-related and other costs resulting from such adverse events. Any such event involving our cruise ships or other passenger cruise ships may adversely affect guests' perceptions of safety or result in increased governmental or other regulatory oversight. An adverse judgment or settlement in respect of any of the ongoing claims against us may also lead to negative publicity about us. Anything that damages our reputation (whether or not justified), including adverse publicity about passenger safety, could have an adverse impact on demand, which could lead to price discounting and a reduction in our sales and could adversely affect our business, financial condition and results of operations. If there is a significant accident, mechanical failure or similar problem involving a ship, we may have to place a ship in an extended Dry-dock period for repairs. This could result in material lost revenue and/or expenditures.

Changes in fuel prices and/or other cruise operating costs would impact the cost of our cruise ship operations.

Fuel expense is a significant cost for our Company. Future increases in the cost of fuel globally or regulatory requirements which require us to use more expensive types of fuel would increase the cost of our cruise ship operations. In addition, we could experience increases in other cruise operating costs due to market forces and economic or political instability beyond our control. Despite any fuel hedges we are currently a party to, or may enter into in the future, increases in fuel prices or other cruise operating costs could have a material adverse effect on our business, financial condition and results of operations if we are unable to recover these increased costs through price increases charged to our guests.

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

We evaluate tradenames and goodwill for impairment on an annual basis, or more frequently when circumstances indicate that the carrying value of a reporting unit may not be recoverable. Several factors, including a challenging operating environment, impacts affecting consumer demand or spending, the deterioration of general macroeconomic conditions, or other factors could result in a change to the future cash flows we expect to derive from our operations. Reductions of the cash flows used in the impairment analyses

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may result in the recording of an impairment charge to a reporting unit's tradename or goodwill, which could adversely impact our results of operations.

Our hedging strategies may not be cost-effective or adequately protect us from increased costs related to changes in fuel prices.

In order to manage risks associated with the variable market prices of fuel, we routinely hedge a portion of our future fuel requirements. However, our hedging program may not be successful in mitigating higher fuel costs, and any price protection provided may be limited due to market conditions, including choice of hedging instruments, breakdown of correlation between hedging instrument and market price of fuel and failure of hedge counterparties. To the extent that we use hedge contracts that have the potential to create an obligation to pay upon settlement if fuel prices decline significantly, such hedge contracts may limit our ability to benefit fully from lower fuel costs in the future. There can be no assurance that our hedging arrangements will be cost-effective, will provide any particular level of protection against rises in fuel prices or that our counterparties will be able to perform under our hedging arrangements. Additionally, deterioration in our financial condition could negatively affect our ability to enter into new hedge contracts in the future.

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

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

Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from making debt service payments.

Our level of indebtedness could limit cash flow available for our operations and could adversely affect our financial condition, results of operations, prospects and flexibility. Our substantial indebtedness could:

· limit our ability to borrow money for our working capital, capital expenditures, development projects, debt service requirements, strategic initiatives or other purposes;

· make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing our indebtedness;

· require us to dedicate a substantial portion of our cash flow from operations to the repayment of our indebtedness, thereby reducing funds available to us for other purposes;

· limit our flexibility in planning for, or reacting to, changes in our operations or business;

· make us more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;

· make us more vulnerable to downturns in our business, the economy or the industry in which we operate;

· restrict us from making strategic acquisitions, introducing new technologies or exploiting business opportunities;

· restrict us from taking certain actions by means of restrictive covenants in the agreements governing our indebtedness;

· make our credit card processors seek more restrictive terms in respect of our credit card arrangements; and

· expose us to the risk of increased interest rates as certain borrowings are (and may be in the future) at a variable rate of interest.

We also may be able to incur substantial additional indebtedness at any time in the future. Although the terms of the agreements governing our indebtedness contain restrictions on our ability to incur additional indebtedness, these restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. We may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, including refinancing our indebtedness, that may not be successful. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations.

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The agreements governing our indebtedness contain restrictions that limit our flexibility in operating our business.

The agreements governing our indebtedness contain, and any instruments governing future indebtedness of ours may contain, covenants that impose significant operating and financial restrictions on us, including restrictions or prohibitions on our ability to, among other things:

- incur or guarantee additional debt or issue certain preference shares;
- pay dividends on or make distributions in respect of our share capital or make other restricted payments, including the ability of NCLH's subsidiaries, including NCLC, to pay dividends or make distributions to NCLH;
- repurchase or redeem capital stock or subordinated indebtedness;
- make certain investments or acquisitions;
- transfer or sell certain assets;
- create liens on certain assets;
- consolidate or merge with, or sell or otherwise dispose of all or substantially all of our assets to, other companies;
- enter into certain transactions with our affiliates;
- pledge the capital stock of any guarantors of our indebtedness; and
- designate our subsidiaries as unrestricted subsidiaries.

As a result of these covenants, we are limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

We have pledged a significant portion of our assets as collateral under our existing debt agreements. If any of the holders of our indebtedness accelerate the repayment of such indebtedness, there can be no assurance that we will

have sufficient assets to repay our indebtedness.

Under our existing debt agreements, we are required to satisfy and maintain specified financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control, and there can be no assurance that we will meet those ratios. A failure to comply with the covenants contained in our existing debt agreements could result in an event of default under such agreements, which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations. In the event of any default under our existing debt agreements, the holders of our indebtedness thereunder:

- will not be required to lend any additional amounts to us, if applicable;
- could elect to declare all indebtedness outstanding, together with accrued and unpaid interest and fees, to be due and payable and terminate all commitments to extend further credit, if applicable; and/or
- could require us to apply all of our available cash to repay such indebtedness.

Such actions by the holders of our indebtedness could cause cross defaults under our other indebtedness. If we were unable to repay those amounts, the holders of our secured indebtedness could proceed against the collateral granted to them to secure that indebtedness.

If the indebtedness under our existing debt agreements were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full.

The impact of volatility and disruptions in the global credit and financial markets 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.

There can be no assurance that we will be able to borrow additional money on terms as favorable as our current debt, on commercially acceptable terms, or at all. Economic downturns, including failures of financial institutions and any related liquidity crisis, can disrupt the capital and credit markets. Such disruptions could cause counterparties under our credit facilities, derivatives, contingent obligations, insurance contracts and new ship progress payment guarantees to be unable to perform their obligations or to breach their obligations to us under our contracts with them, which could include failures of financial institutions to fund required borrowings under our loan agreements and to pay us amounts that may become due under our derivative contracts and other agreements. Also, we may be limited in obtaining funds to pay amounts due to our counterparties under our derivative contracts and to pay amounts that may become due under other agreements. If we were to elect to replace any counterparty for their failure to perform their obligations under such instruments, we would likely incur significant costs to replace the counterparty. Any failure to replace any counterparties under these circumstances may result in additional costs to us or an ineffective instrument.

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

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

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

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

We continue to expand our fleet through our newbuild program and may add up to ten additional ships to our fleet through 2027. Our competitors have also announced similar expansions to their fleets. These increases in capacity in the cruise industry globally and potential overcapacity in certain key markets may cause us to lower pricing, which would reduce profitability and adversely affect our results of operations.

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

Our success is dependent upon our personnel and our ability to recruit and retain high quality employees. We must continue to recruit, retain and motivate management and other employees in order to maintain our current business and support our projected growth. We need to hire and train a considerable number of qualified crew members to staff the ships that will be joining our fleet in the coming years. This may require significant efforts on the part of our management team, and our inability to hire a sufficient number of qualified crew members would adversely affect our business.

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

We rely on external distribution channels for passenger bookings, and major changes in the availability of external distribution channels could undermine our customer base.

The majority of our guests book their cruises through independent travel agents, wholesalers and tour operators. In the event that these distribution channels are adversely impacted by an economic downturn, or by other factors, this could reduce the distribution channels available for us to market and sell our cruises and we could be forced to increase the use of alternative distribution channels we are not accustomed to. If this were to occur, it could have an adverse impact on our financial condition and results of operations.

Additionally, independent travel agents, wholesalers and tour operators generally sell and market our cruises on a non-exclusive basis. Although we offer commissions and other incentives to them for booking our cruises, there can be no guarantee that our competitors will not offer higher commissions and incentives in the future. Travel agents may face increasing pressure from our competitors, particularly in the North American market, to sell and market our competitors' cruises exclusively. If such exclusive arrangements were introduced, there can be no assurances that we will be able to find alternative distribution channels to ensure that our customer base would not be affected.

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

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

Delays in our shipbuilding program and ship repairs, maintenance and refurbishments could adversely affect our results of operations and financial condition.

The new construction, refurbishment, repair and maintenance of our cruise ships are complex processes and involve risks similar to those encountered in other large and sophisticated equipment construction, refurbishment and repair

projects. Our ships are subject to

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the risk of mechanical failure or accident, which we have occasionally experienced and have had to repair. If there is a mechanical failure or accident in the future, we may be unable to procure spare parts when needed or make repairs without incurring material expense or suspension of service, especially if a problem affects certain specialized maritime equipment, such as the radar, a pod propulsion unit, the electrical/power management system, the steering gear or the gyro system.

In addition, availability, work stoppages, insolvency or financial problems in the shipyards' construction, refurbishment or repair of our ships, or other "force majeure" events that are beyond our control and the control of shipyards or subcontractors, could also delay or prevent the newbuild delivery, refurbishment and repair and maintenance of our ships. Any termination or breach of contract following such an event may result in, among other things, the forfeiture of prior deposits or payments made by us, potential claims and impairment of losses. A significant delay in the delivery of a new ship, or a significant performance deficiency or mechanical failure of a new ship could also have an adverse effect on our business. The consolidation of the control of certain European cruise shipyards could result in higher prices for refurbishment and repairs due to reduced competition. Also, the lack of qualified shipyard repair facilities could result in the inability to repair and maintain our ships on a timely basis. These potential events and the associated losses, to the extent that they are not adequately covered by contractual remedies or insurance, could adversely affect our results of operations and financial condition.

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

A number of our passengers and crew depend on scheduled commercial airline services to transport them to ports of embarkation for our cruises. Increases in the price of airfare due to increases in fuel prices, fuel surcharges, changes in commercial airline services as a result of strikes, weather or other events, or the lack of availability due to schedule changes or a high level of airline bookings could adversely affect our ability to deliver guests and crew to or from our cruise ships and thereby increase our cruise operating expenses which would, in turn, have an adverse effect on our financial condition and results of operations.

Our revenue is seasonal, owing to variations in passenger fare rates and occupancy levels at different times of the year. We may not be able to generate revenue that is sufficient to cover our expenses during certain periods of the year.

The demand for our cruises is seasonal, with the greatest demand for cruises generally occurring during the Northern Hemisphere's summer months. This seasonality in demand has resulted in fluctuations in our revenue and results of operations. The seasonality of our results is increased due to ships being taken out of service for Dry-docks, which we typically schedule during off-peak demand periods for such ships. Accordingly, seasonality in demand and Dry-dock periods could adversely affect our ability to generate sufficient revenue to cover the expenses we incur during certain

periods of the year.

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

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

Amendments to the collective bargaining agreements for crew members of our fleet and other employee relation issues may materially adversely affect our financial results.

Currently, we are a party to eight collective bargaining agreements. Three of these agreements are in effect through 2017 and four through 2018. The remaining one is set to expire in 2020. Any future amendments to such collective bargaining agreements or inability to satisfactorily renegotiate such agreements may increase our labor costs and have a negative impact on our financial condition. In addition, although our collective bargaining agreements have a no-strike provision, they may not prevent a disruption in work on our ships in the future. Any such disruptions in work could have a material adverse effect on our financial results.

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

We believe that attractive port destinations are a major reason why guests choose to go on a particular cruise or on a cruise vacation. The availability of ports, including the specific port facility at which our guests will embark and disembark, is affected by a number of factors, including, but not limited to, existing capacity constraints, security, safety and environmental concerns, adverse weather conditions and natural disasters, financial limitations on port development, political instability, exclusivity arrangements that ports may have with our competitors, local governmental regulations and fees, local community concerns about port development and other adverse impacts on their communities from additional tourists and sanctions programs implemented by the Office of Foreign Assets Control of the United States Treasury Department or other regulatory bodies. Any limitations on the availability of ports of call or on the availability of shore excursions and other service providers at such ports could adversely affect our business, financial condition and results of operations.

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

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

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

Risks Related to the Regulatory Environment in Which We Operate

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

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

We believe and have taken the position that substantially all of our income derived from the international operation of ships is properly categorized as shipping income and that we do not have a material amount of non-qualifying income. It is possible, however, that a much larger percentage of our income does not qualify (or will not qualify) as shipping income. Moreover, the exemption for shipping income is only available for years in which NCLH will satisfy complex stock ownership tests or the publicly traded test under Section 883 as described in “Item 1—Business—Taxation—Exemption of International Shipping Income under Section 883 of the Code.” There are factual circumstances beyond our control,

including changes in the direct and indirect owners of NCLH's ordinary shares, which could cause us or our subsidiaries to lose the benefit of this tax exemption. Finally, any changes in our operations could significantly increase our exposure to either the Net Tax Regime or the 4% Regime (each as defined in "Item 1—Business—Taxation"), and we can give no assurances on this matter.

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

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

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

We are subject to complex laws and regulations, including environmental laws and regulations, which could adversely affect our operations and any changes in the current laws and regulations could lead to increased costs or decreased revenue

Some environmental groups have lobbied for more extensive oversight of cruise ships and have generated negative publicity about the cruise industry and its environmental impact. Increasingly stringent federal, state, local and international laws and regulations on environmental protection and health and safety of workers could affect our operations. The U.S. Environmental Protection Agency, the IMO (a United Nations agency with responsibility for the safety and security of shipping and the prevention of marine pollution by ships), the Council of the European Union and individual countries and U.S. states are considering, as well as implementing, new laws

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and rules to manage cruise ship operations and waste. In addition, many aspects of the cruise industry are subject to governmental regulation by the U.S. Coast Guard as well as international treaties such as SOLAS, an international safety regulation, MARPOL, an international environmental regulation, and STCW and its conventions in ship manning.

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

Among the laws impacting cruise ship operations are a 2006 ballot measure approved by Alaskan voters requiring that cruise ships meet Alaska Water Quality Standards ("WQS"). The law was relaxed in 2013, allowing ship operators to apply for mixing zones in discharge permits, an option that may ease compliance with certain WQS, and reducing the need to remove ammonia, copper, zinc, and nickel from wastewater. The International Labor Organization's Maritime Labor Convention, 2006 went into force on August 20, 2013. The Convention regulates many aspects of maritime crew labor and impacts the worldwide sourcing of new crew members. MARPOL regulations have established special ECAs with stringent limitations on sulfur and nitrogen oxide emissions. Ships operating in designated ECAs (which include the Baltic Sea, the North Sea/English Channel, and many of the waters within 200 nautical miles of the U.S. and Canadian coasts including the Hawaiian Islands; waters surrounding Puerto Rico and the U.S. Virgin Islands have been included as of January 2014) are generally expected to meet the new sulfur oxide emissions limits through the use of low-sulfur fuels.

These issues are, and we believe will continue to be, an area of focus by the relevant authorities throughout the world. This could result in the enactment of more stringent regulation of cruise ships that would subject us to increasing compliance costs in the future. By virtue of our operations in the U.S., the FMC requires us to maintain a third-party performance guarantee on our behalf in respect of liabilities for non-performance of transportation and other obligations to guests. The FMC has proposed rules that would significantly increase the amount of our required guarantees and accordingly our cost of compliance. There can be no assurance that such an increase in the amount of our guarantees, if required, would be available to us. For additional discussion of the FMC's proposed requirements, we refer you to "Item 1—Business—Regulatory Issues."

In 2007, the state of Alaska implemented taxes, some of which were rolled back in 2010, which have impacted the cruise industry operating in Alaska. It is possible that other states, countries or ports of call that our ships regularly visit may also decide to assess new taxes or fees or change existing taxes or fees specifically applicable to the cruise industry and its employees and/or guests, which could increase our operating costs and/or could decrease the demand for cruises.

Risks Related to NCLH's Ordinary Shares

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

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

NCLH does not have current plans to pay dividends on its ordinary shares.

NCLH does not currently intend to pay dividends to its shareholders and NCLH's Board of Directors may never declare a dividend. Our existing debt agreements restrict, and any of our future debt arrangements may restrict, among other things, the ability of NCLH's subsidiaries, including NCLC, to pay distributions to NCLH and NCLH's ability to pay cash dividends to its shareholders. In addition, any determination to pay dividends in the future will be entirely at the discretion of NCLH's Board of Directors and will depend upon our results of operations, cash requirements, financial condition, business opportunities, contractual restrictions, restrictions imposed by applicable law and other factors that NCLH's Board of Directors deems relevant. We are not legally or contractually required to pay dividends. In addition, NCLH is a holding company and would depend upon its subsidiaries for their ability to pay distributions to NCLH to finance any dividend or pay any other obligations of NCLH. Investors seeking dividends should not purchase NCLH's ordinary shares.

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

NCLH's bye-laws contain provisions that may delay, defer, prevent or render more difficult a takeover attempt that its shareholders consider to be in their best interests. As a result, these provisions may prevent NCLH's shareholders from receiving a premium to the market price of NCLH's shares offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of NCLH's shares if they are viewed as discouraging takeover attempts in the future. These provisions include (subject to the shareholders' agreement):

- the ability of NCLH's Board of Directors to designate one or more series of preference shares and issue preference shares without shareholder approval;
- a classified board of directors;
- the sole power of a majority of NCLH's Board of Directors to fix the number of directors;
- the power of NCLH's Board of Directors to fill any vacancy on NCLH's Board of Directors in most circumstances, including when such vacancy occurs as a result of an increase in the number of directors or otherwise; and
- advance notice requirements for nominating directors or introducing other business to be conducted at shareholder meetings.

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

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

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

NCLH’s principal executive offices are located in Miami, Florida where we lease approximately 313,600 square feet of facilities. We also have a lease of approximately 77,500 square feet for Prestige’s former executive offices in Miami, Florida which we have subleased to a third party. We lease approximately (i) 24,300 square feet of office space in Sunrise, Florida for sales; (ii) 25,600 square feet of office space in Honolulu, Hawaii for administrative purposes; (iii) 10,300 square feet of office space in Southampton, England for sales and marketing in the U.K. and Ireland; (iv) 11,000 square feet of office space in Wiesbaden, Germany for sales and marketing in Europe; (v) 31,000 square feet of office space in Phoenix, Arizona for a call center; (vi) 17,600 square feet in Omaha, Nebraska for a call center; and (vii) 46,000 square feet of warehouse space in Tampa, Florida for entertainment theatrical production.

Additionally, we lease a number of international offices throughout Europe, Asia, South America and Australia to administer our brand operations globally. Norwegian owns a private island in the Bahamas, Great Stirrup Cay, which we utilize as a port-of-call on some of our itineraries. We developed a cruise destination in Belize, Harvest Caye, which was introduced in November 2016.

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

Item 3. Legal Proceedings

In the normal course of our business, various claims and lawsuits have been filed or are pending against us. Most of these claims and lawsuits are covered by insurance and, accordingly, the maximum amount of our liability is typically limited to our deductible amount.

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

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

Item 4. Mine Safety Disclosures

None.

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PART II

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

Market Information

NCLH’s ordinary shares are listed on the NASDAQ Global Select Market under the symbol “NCLH.” The table below sets forth the high and low sales prices of our ordinary shares as reported by the NASDAQ Global Select Market for the two most recent years by quarter:

2016

	High	Low
Fourth Quarter	\$45.50	\$35.21
Third Quarter	44.70	34.16
Second Quarter	55.25	38.17
First Quarter	58.19	37.01

2015

	High	Low
Fourth Quarter	\$64.27	\$53.46
Third Quarter	63.22	50.00
Second Quarter	57.55	48.03
First Quarter	55.35	42.55

Holders

As of February 17, 2017, there were 273 record holders of NCLH’s ordinary shares. Since certain of NCLH’s ordinary shares are held by brokers and other institutions on behalf of shareholders, the foregoing number is not representative of the number of beneficial owners.

Dividends

We intend to retain all currently available funds and as much as necessary of future earnings in order to fund the continued development and growth of our business. Our debt agreements also impose restrictions on the ability of our subsidiaries to pay distributions to NCLH and NCLH's ability to pay dividends to its shareholders. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, financial condition, restrictions imposed by applicable law and our financing agreements and other factors that our Board of Directors deems relevant.

Purchases of Equity Securities by the Issuer

On April 29, 2014, NCLH's Board of Directors authorized, and NCLH announced, a three-year share repurchase program for up to \$500.0 million. NCLH may make repurchases in the open market, in privately negotiated transactions, in accelerated repurchase programs or in structured share repurchase programs, and any repurchases may be made pursuant to Rule 10b5-1 plans. There was no share repurchase activity during the three months ended December 31, 2016, and as of December 31, 2016, \$263.5 million remained available for repurchases of our outstanding ordinary shares under the share repurchase program.

Stock Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of NCLH under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph shows a comparison (from January 18, 2013, the date our ordinary shares commenced trading on the NASDAQ Global Select Market, through December 31, 2016) of the cumulative total return for our ordinary shares, the Standard & Poor's 500 Composite Stock Index and the Dow Jones United States Travel and Leisure index. The Stock Performance Graph assumes for comparison that the value of our ordinary shares and of each index was \$100 prior to the commencement of trading on January 18, 2013. Past performance is not necessarily an indicator of future results. The stock prices used were as of the close of business on the respective dates.

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The following selected financial data should be read in conjunction with the financial statements and notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” appearing elsewhere in this annual report. The statement of operations data and the balance sheet data for the years ended, and as of, 2013, 2014, 2015, and 2016 are derived from NCLH’s audited financial statements. Prior to the year ended December 31, 2013, the financial statements are those of NCLC and they should be read in conjunction with those audited financial statements and the related notes. We have retrospectively applied the exchange of ordinary shares due to the Corporate Reorganization as the effect is substantially the same as a stock split. The Corporate Reorganization is reflected in NCLH’s financial statements for the first time in the quarter ended March 31, 2013. In addition, the prior comparative period will be the activity of NCLC during such period.

The financial statements as of and for the year ended December 31, 2014 include the financial results of Prestige commencing on November 19, 2014, the date the Acquisition of Prestige was consummated (we refer you to the Notes to The Consolidated Financial Statements Note—4 “The Acquisition of Prestige”).

(in thousands, except share data, per share data and operating data)	As of or for the Year Ended December 31,				
	2016	2015	2014	2013	2012
Statement of operations data:					
Total revenue	\$4,874,340	\$4,345,048	\$3,125,881	\$2,570,294	\$2,276,246
Operating income	\$925,464	\$702,486	\$502,941	\$395,887	\$357,093
Net income	\$633,085	\$427,137	\$342,601	\$102,886	\$168,556
Net income attributable to non-controlling interest	\$—	\$—	\$4,249	\$1,172	\$—
Net income attributable to Norwegian Cruise Line Holdings Ltd.	\$633,085	\$427,137	\$338,352	\$101,714	\$168,556
EPS:					
Basic	\$2.79	\$1.89	\$1.64	\$0.50	\$0.95
Diluted	\$2.78	\$1.86	\$1.62	\$0.49	\$0.94
Weighted-average shares outstanding:					
Basic	227,121,875	226,591,437	206,524,968	202,993,839	178,232,850
Diluted	227,850,286	230,040,132	212,017,784	209,239,484	179,023,683
Balance sheet data:					
Total assets	\$12,973,911	\$12,264,757	\$11,468,996	\$6,577,568	\$5,889,480
Property and equipment, net	\$10,117,689	\$9,458,805	\$8,623,773	\$5,647,670	\$4,960,142
	\$6,398,687	\$6,397,537	\$6,080,023	\$3,054,379	\$2,936,406

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Long-term debt, including current portion

Total shareholders' equity	\$4,537,726	\$3,780,880	\$3,518,813	\$2,631,266	\$2,018,784
Operating data:					
Passengers carried	2,337,311	2,164,404	1,933,044	1,628,278	1,503,107
Passenger Cruise Days	17,588,707	16,027,743	13,634,200	11,400,906	10,332,914
Capacity Days	16,376,063	14,700,990	12,512,459	10,446,216	9,602,730
Occupancy Percentage	107.4	% 109.0	% 109.0	% 109.1	% 107.6

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

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 product offering, the size of the ship in operation, the length of cruises operated and the markets in which the ship operates. Our revenue is seasonal based on demand for cruises, which has historically been strongest during the Northern Hemisphere’s summer months.

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 guests purchase these items from us. Onboard and other revenue primarily consists of revenue from gaming, beverage sales, shore excursions, specialty dining, retail sales, spa services, photo services as well as certain Bareboat Charter revenue. 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, certain port expenses and the costs associated with shore excursions and hotel accommodations included as part of the overall cruise purchase price.

Onboard and other primarily consists of direct costs that are incurred in connection with onboard and other revenue. These include costs incurred in connection with gaming, beverage sales and shore excursions.

Payroll and related consists of the cost of wages and benefits for shipboard employees and costs of certain inventory items, including food, for a third party that provides crew and other hotel services for certain ships.

·Fuel includes fuel costs, the impact of certain fuel hedges and fuel delivery costs.

·Food consists of food costs for passengers and crew on certain ships.

· Other consists of repairs and maintenance (including Dry-dock costs), ship insurance and other ship expenses.

Critical Accounting Policies

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

Ship Accounting

Ships represent our most significant assets, and we record them at cost less accumulated depreciation. Depreciation of ships is computed on a straight-line basis over the estimated service lives of primarily 30 years after a 15% reduction for the estimated residual value of the ship. Improvement costs that we believe add value to our ships are capitalized to the ship and depreciated over the improvements' estimated useful lives. Repairs and maintenance activities are charged to expense as incurred. We account for Dry-dock costs under the direct expense method which requires us to expense all Dry-dock costs as incurred.

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We determine the useful life of our ships based primarily on our estimates of the average useful life of the ships' major component systems, such as cabins, main diesels, main electric, superstructure and hull. In addition, we consider the impact of anticipated changes in the vacation market and technological conditions and historical useful lives of similarly-built ships. Given the large and complex nature of our ships, our accounting estimates related to ships and determinations of ship improvement costs to be capitalized require considerable judgment and are inherently uncertain. Should certain factors or circumstances cause us to revise our estimate of ship service lives or projected residual values, depreciation expense could be materially lower or higher. If circumstances cause us to change our assumptions in making determinations as to whether ship improvements should be capitalized, the amounts we expense each year as repairs and maintenance costs could increase, partially offset by a decrease in depreciation expense. If we reduced our estimated average 30-year ship service life by one year, depreciation expense for the year ended December 31, 2016 would have increased by \$11.2 million. In addition, if our ships were estimated to have no residual value, depreciation expense for the same period would have increased by \$62.2 million. We believe our estimates for ship accounting are reasonable and our methods are consistently applied. We believe that depreciation expense is based on a rational and systematic method to allocate our ships' costs to the periods that benefit from the ships' usage.

Asset Impairment

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

We evaluate goodwill for impairment annually or more frequently when an event occurs or circumstances change that indicates the carrying value of a reporting unit may not be recoverable. For our evaluation of goodwill and tradenames we use the Step 0 Test which allows us to first assess qualitative factors to determine whether it is more likely than not (i.e., more than 50%) that the fair value of a reporting unit is less than its carrying value. In order to make this evaluation, we consider the following circumstances:

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

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

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

· Overall financial performance (for both actual and expected performance);

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

· Share price (in both absolute terms and relative to peers).

We believe our estimates and judgments with respect to our long-lived assets, principally ships, and goodwill and other indefinite-lived intangible assets are reasonable. Nonetheless, if there was a material change in assumptions used in the determination of such fair values or if there is a material change in the conditions or circumstances that influence such assets, we could be required to record an impairment charge. If a material change occurred, we may conduct a quantitative assessment comparing the fair value of each reporting unit to its carrying value, including goodwill. This is called the Step I Test which consists of a combined approach using the expected future cash flows and market multiples to determine the fair value of the reporting units.

In the third quarter of 2016, based on the performance of the Oceania Cruises reporting unit, we performed an interim goodwill impairment evaluation consisting of a Step I Test. Based on that evaluation, we determined that there was no impairment of goodwill because its fair value exceeded its carrying value. For our annual impairment evaluation, we performed a Step 0 Test for the Norwegian reporting unit and Step I Tests for the Regent Seven Seas and the Oceania Cruises reporting units. Based on those evaluations, we determined that there was no impairment of goodwill because the fair value of each reporting unit exceeded its carrying value. However, if the fair value of any reporting unit declines in future periods, its goodwill may become impaired at that time. As of December 31, 2016, there was \$523.0 million, \$462.1 million and \$403.8 million of goodwill for the Oceania Cruises, Regent Seven Seas and Norwegian reporting units, respectively. As of December 31, 2016, our annual review consisting of the Step 0 and Step I Tests supports the carrying value of these assets.

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Contingencies

Periodically, we assess potential liabilities related to any lawsuits or claims brought against us or any asserted claims, including tax, legal and/or environmental matters. Although it is typically very difficult to determine the timing and ultimate outcome of such actions, we use our best judgment to determine if it is probable that we will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In assessing probable losses, we take into consideration estimates of the amount of insurance recoveries, if any. In accordance with the guidance on accounting for contingencies, we accrue a liability when we believe a loss is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertainties related to the eventual outcome of litigation and potential insurance recoveries, although we believe that our estimates and judgments are reasonable, it is possible that certain matters may be resolved for amounts materially different from any estimated provisions or previous disclosures.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures, such as Net Revenue, Adjusted Net Revenue, Net Yield, Adjusted Net Yield, Net Cruise Cost, Adjusted Net Cruise Cost Excluding Fuel, Adjusted EBITDA, Adjusted Net Income and Adjusted EPS, to enable us to analyze our performance. See “Terms Used in this Annual Report” for the definitions of these non-GAAP financial measures. 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.

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

We believe that Adjusted EBITDA is a useful measure in determining our performance as it reflects certain operating drivers of our business, such as sales growth, operating costs, marketing, general and administrative expense and other operating income and expense. Adjusted EBITDA is not a defined term under GAAP. Adjusted EBITDA is not intended to be a measure of liquidity or cash flows from operations or a measure comparable to net income as it does

not take into account certain requirements such as capital expenditures and related depreciation, principal and interest payments and tax payments and it includes other supplemental adjustments.

In addition, Adjusted Net Revenue and Adjusted Net Yield, which exclude certain business combination accounting entries, are non-GAAP financial measures that we believe are useful as supplemental measures in evaluating the performance of our operating business and provide greater transparency into our results of operations. Adjusted Net Income and Adjusted EPS are non-GAAP financial measures that exclude certain amounts and are used to supplement GAAP net income and EPS. We use Adjusted Net Income and Adjusted EPS as key performance measures of our earnings performance. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparison to our historical performance. In addition, management uses Adjusted EPS as a performance measure for our incentive compensation. The amounts excluded in the presentation of these non-GAAP financial measures may vary from period to period; accordingly, our presentation of Adjusted Net Revenue, Adjusted Net Yield, Adjusted Net Income and Adjusted EPS may not be indicative of future adjustments or results. For example, for the year ended December 31, 2016, we incurred \$28.0 million of amounts related to the extinguishment of debt and \$11.2 million of deferred financing fees due to the refinancing of certain credit facilities. We included these as adjustments in the reconciliation of Adjusted Net Income since these amounts are not representative of our day-to-day operations and we have included similar adjustments in prior periods.

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

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Summary of Significant 2016 Events

Sirena, previously under a Bareboat Charter, joined our Oceania Cruises fleet in April 2016. This ship is approximately 30,000 Gross Tons with approximately 684 Berths.

Seven Seas Explorer was delivered in June 2016 to our Regent fleet. This ship is approximately 55,000 Gross Tons with 750 Berths. We placed an order to build a second Explorer Class Ship for delivery in the winter of 2020.

We introduced a new destination, Harvest Caye, in November 2016. This destination in Southern Belize features Belize's only cruise ship pier, expansive seven acre white sand beach, 15,000 sq. ft. pool with swim up bar, multiple dining options and a nature center with wildlife experiences plus adventure tours.

We repurchased approximately \$50 million of NCLH's outstanding ordinary shares under our previously authorized three-year, \$500 million share repurchase program.

In February 2017, we announced that we plan to introduce an additional four ships with expected delivery dates through 2025 and we have an option to introduce two additional ships for delivery in 2026 and 2027, subject to certain conditions. These four ships are each 140,000 gross tons with approximately 3,300 Berths. The contract price for each of the four ships is approximately €800.0 million, subject to certain conditions, or \$841.4 million based on the exchange rate as of December 31, 2016. We have obtained export credit financing for the four ships to fund approximately 80% of the contract price of each ship expected to be delivered through 2025, subject to certain conditions.

Executive Overview

Total revenue increased 12.2% to \$4.9 billion for the year ended December 31, 2016 compared to \$4.3 billion for the year ended December 31, 2015. Net Revenue for the year ended December 31, 2016 increased 13.8% to \$3.8 billion from \$3.3 billion in the same period in 2015 with an improvement in Net Yield of 2.1% and an increase in Capacity Days of 11.4%.

For the year ended December 31, 2016, we had net income and diluted EPS of \$633.1 million and \$2.78, respectively. For the year ended December 31, 2015, we had net income and diluted EPS of \$427.1 million and \$1.86, respectively.

Operating income increased 31.7% to \$925.5 million for the year ended December 31, 2016 from \$702.5 million for the year ended December 31, 2015.

We had Adjusted Net Income and Adjusted EPS of \$776.3 million and \$3.41, respectively, for the year ended December 31, 2016, which includes \$143.2 million of adjustments primarily consisting of expenses related to non-cash compensation, write-offs of fees related to extinguishment of debt and refinancing of certain credit facilities and certain other adjustments. A 17.7% improvement in Adjusted EBITDA was achieved for the same period primarily due to the increase in net income and EBITDA. We refer you to our “Results of Operations” below for a calculation of Net Revenue, Net Yield, Adjusted Net Income, Adjusted EPS and Adjusted EBITDA.

Results of Operations

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

	Year Ended December 31,		
	2016	2015	2014
Total revenue	\$4,874,340	\$4,345,048	\$3,125,881
Total cruise operating expense	\$2,850,225	\$2,655,449	\$1,946,624
Operating income	\$925,464	\$702,486	\$502,941
Net income attributable to Norwegian Cruise Line Holdings Ltd.	\$633,085	\$427,137	\$338,352
EPS:			
Basic	\$2.79	\$1.89	\$1.64
Diluted	\$2.78	\$1.86	\$1.62

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

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	Year Ended December 31,		
	2016	2015	2014
Revenue			
Passenger ticket	69.5 %	72.0 %	69.6 %
Onboard and other	30.5 %	28.0 %	30.4 %
Total revenue	100.0%	100.0%	100.0%
Cruise operating expense			
Commissions, transportation and other	16.7 %	17.6 %	16.1 %
Onboard and other	6.1 %	6.3 %	7.2 %
Payroll and related	15.3 %	15.3 %	14.5 %
Fuel	6.9 %	8.3 %	10.4 %
Food	4.1 %	4.1 %	5.4 %
Other	9.4 %	9.5 %	8.7 %
Total cruise operating expense	58.5 %	61.1 %	62.3 %
Other operating expense			
Marketing, general and administrative	13.7 %	12.8 %	12.9 %
Depreciation and amortization	8.9 %	9.9 %	8.7 %
Total other operating expense	22.6 %	22.7 %	21.6 %
Operating income	18.9 %	16.2 %	16.1 %
Non-operating income (expense)			
Interest expense, net	(5.7)%	(5.1)%	(4.9)%
Other income (expense), net	(0.1)%	(1.1)%	(0.3)%
Total non-operating income (expense)	(5.8)%	(6.2)%	(5.2)%
Net income before income taxes	13.1 %	10.0 %	10.9 %
Income tax benefit (expense)	(0.1)%	(0.2)%	0.1 %
Net income	13.0 %	9.8 %	11.0 %
Net income attributable to non-controlling interest	— %	— %	0.1 %
Net income attributable to Norwegian Cruise Line Holdings Ltd.	13.0 %	9.8 %	10.9 %

The following table sets forth selected statistical information:

	Year Ended December 31,		
	2016	2015	2014
Passengers carried	2,337,311	2,164,404	1,933,044
Passenger Cruise Days	17,588,707	16,027,743	13,634,200
Capacity Days	16,376,063	14,700,990	12,512,459
Occupancy Percentage	107.4 %	109.0 %	109.0 %

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

Year Ended December 31,

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	2016	2016 Constant Currency	2015	2015 Constant Currency	2014
Passenger ticket revenue	\$3,388,954	\$3,420,959	\$3,129,075	\$3,203,661	\$2,176,153
Onboard and other revenue	1,485,386	1,485,386	1,215,973	1,215,973	949,728
Total revenue	4,874,340	4,906,345	4,345,048	4,419,634	3,125,881
Less:					
Commissions, transportation and other expense	813,559	821,608	765,298	783,891	503,722
Onboard and other expense	298,886	298,886	272,802	272,802	224,000
Net Revenue	3,761,895	3,785,851	3,306,948	3,362,941	2,398,159
Non-GAAP Adjustment:					
Deferred revenue (1)	1,057	1,057	32,431	32,431	10,052
Adjusted Net Revenue	\$3,762,952	\$3,786,908	\$3,339,379	\$3,395,372	\$2,408,211
Capacity Days	16,376,063	16,376,063	14,700,990	14,700,990	12,512,459
Gross Yield	\$297.65	\$299.60	\$295.56	\$300.64	\$249.82
Net Yield	\$229.72	\$231.18	\$224.95	\$228.76	\$191.66
Adjusted Net Yield	\$229.78	\$231.25	\$227.15	\$230.96	\$192.47

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- (1) Reflects deferred revenue fair value adjustments related to the Acquisition of Prestige that were made pursuant to business combination accounting rules.

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

	Year Ended December 31,				
	2016	2016 Constant Currency	2015	2015 Constant Currency	2014
Total cruise operating expense	\$2,850,225	\$2,859,037	\$2,655,449	\$2,683,776	\$1,946,624
Marketing, general and administrative expense	666,156	667,913	554,999	560,376	403,169
Gross Cruise Cost	3,516,381	3,526,950	3,210,448	3,244,152	2,349,793
Less:					
Commissions, transportation and other expense	813,559	821,608	765,298	783,891	503,722
Onboard and other expense	298,886	298,886	272,802	272,802	224,000
Net Cruise Cost	2,403,936	2,406,456	2,172,348	2,187,459	1,622,071
Less: Fuel expense	335,174	335,174	358,650	358,650	326,231
Net Cruise Cost Excluding Fuel	2,068,762	2,071,282	1,813,698	1,828,809	1,295,840
Less Non-GAAP Adjustments:					
Non-cash deferred compensation (1)	3,167	3,167	10,154	10,154	7,693
Non-cash share-based compensation (2)	66,414	66,414	42,211	42,211	20,627
Secondary Equity Offerings' expenses (3)	—	—	2,226	2,226	2,075
Severance payments and other fees (4)	8,223	8,223	17,580	17,580	—
Management NCL Corporation Units exchange expenses (5)	—	—	624	624	—
Acquisition of Prestige expenses (6)	6,395	6,395	27,170	27,170	57,513
Contingent consideration adjustment (7)	—	—	(43,400)	(43,400)	—
Contract renegotiation and termination expenses (8)	1,000	1,000	3,319	3,319	—
Other (9)	217	217	—	—	3,804
Adjusted Net Cruise Cost Excluding Fuel	\$1,983,346	\$1,985,866	\$1,753,814	\$1,768,925	\$1,204,128
Capacity Days	16,376,063	16,376,063	14,700,990	14,700,990	12,512,459
Gross Cruise Cost per Capacity Day	\$214.73	\$215.37	\$218.38	\$220.68	\$187.80
Net Cruise Cost per Capacity Day	\$146.80	\$146.95	\$147.77	\$148.80	\$129.64
Net Cruise Cost Excluding Fuel per Capacity Day	\$126.33	\$126.48	\$123.37	\$124.40	\$103.56
Adjusted Net Cruise Cost Excluding Fuel per Capacity Day	\$121.11	121.27	\$119.30	\$120.33	\$96.23

- (1) Non-cash deferred compensation expenses related to the crew pension plan and other crew expenses, which are included in payroll and related expense.
- (2) Non-cash share-based compensation expense related to equity awards, which are included in marketing, general and administrative expense and payroll and related expense.
- (3) Expenses related to the Secondary Equity Offerings, which are included in marketing, general and administrative expense.
- (4) Severance payments and other expenses related to restructuring costs and other severance arrangements, which are included in marketing, general and administrative expense.
- (5) Expenses related to the exchange of Management NCL Corporation Units for ordinary shares, which are included in marketing, general and administrative expense.
- (6) Expenses related to the Acquisition of Prestige, which are included in marketing, general and administrative expense.
- (7) Contingent consideration fair value adjustment related to the Acquisition of Prestige, which is included in marketing, general and administrative expense.
- (8) Contract renegotiation and termination expenses, net related to the Acquisition of Prestige, which are included in other cruise operating expense and marketing, general and administrative expense.
- (9) The year ended December 31, 2016 includes legal expenses related to the extinguishment of senior unsecured notes and the year ended December 31, 2014 includes expenses primarily related to the tax restructuring and costs related to the settlement of a 2007 breach of contract claim, which are included in marketing, general and administrative expense.

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

	Year Ended December 31,		
	2016	2015	2014
Net income attributable to Norwegian Cruise Line Holdings Ltd.	\$633,085	\$427,137	\$338,352
Net income attributable to non-controlling interest	—	—	4,249
Net income	633,085	427,137	342,601
Non-GAAP Adjustments:			
Non-cash deferred compensation (1)	3,167	10,154	7,693
Non-cash share-based compensation (2)	66,414	42,384	20,627
Secondary Equity Offerings' expenses (3)	—	2,226	2,075
Taxes (4)	(3,594)) —	5,247
Severance payments and other fees (5)	8,223	17,580	—
Management NCL Corporation Units exchange expenses (6)	—	624	—
Acquisition of Prestige expenses (7)	6,395	27,170	57,513
Deferred revenue (8)	1,057	32,431	13,004
Amortization of intangible assets (9)	21,069	72,917	12,600
Contingent consideration adjustment (10)	—	(43,400)) —
Loss on extinguishment of debt (11)	27,962	12,624	—
Derivative adjustment (12)	(1,185)) 40,971	—
Contract renegotiation and termination expenses (13)	2,502	6,848	—
Information technology write-off (14)	—	12,988	—
Deferred financing fees and other (15)	11,156	—	15,397
Other (16)	—	—	3,804
Adjusted Net Income	\$776,251	\$662,654	\$480,561
Diluted weighted-average shares outstanding-Net income and Adjusted Net Income	227,850,286	230,040,132	212,017,784
Diluted EPS	\$2.78	\$1.86	\$1.62
Adjusted EPS	\$3.41	\$2.88	\$2.27

- (1) Non-cash deferred compensation expenses related to the crew pension plan and other crew expenses, which are included in payroll and related expense.
- (2) Non-cash share-based compensation expenses related to equity awards, which are included in marketing, general and administrative expense and payroll and related expense.
- (3) Expenses related to the Secondary Equity Offerings, which are included in marketing, general and administrative expense.
The year ended December 31, 2016 includes an adjustment due to a release of a valuation allowance on deferred
- (4) tax assets and the year ended December 31, 2014 includes an adjustment due to the change in our corporate entity structure. Both amounts are included in income tax benefit (expense).
- (5) Severance payments and other expenses related to restructuring costs and other severance arrangements, which are included in marketing, general and administrative expense.
- (6) Expenses related to the exchange of Management NCL Corporation Units for ordinary shares, which are included in marketing, general and administrative expense.
- (7)

- Expenses related to the Acquisition of Prestige, which are included in marketing, general and administrative expense.
- (8) Deferred revenue fair value adjustments related to the Acquisition of Prestige that were made pursuant to business combination accounting rules, which are primarily included in passenger ticket revenue.
 - (9) Amortization of intangible assets related to the Acquisition of Prestige, which are included in depreciation and amortization expense.
 - (10) Contingent consideration fair value adjustment related to the Acquisition of Prestige, which is included in marketing, general and administrative expense.
 - (11) Loss on extinguishment of senior unsecured notes, which is included in interest expense, net, and legal expenses related to the extinguishment which are included in marketing, general and administrative expense.
Losses and net gains for the fair value adjustment of a foreign exchange collar which did not receive hedge
 - (12) accounting treatment and losses due to the dedesignation of certain fuel swaps. These adjustments are included in other income (expense), net.
Contract renegotiation and termination expenses, net related to the Acquisition of Prestige, which are included in
 - (13) other cruise operating expense, marketing, general and administrative expense and depreciation and amortization expense.
 - (14) Expenses related to the write-off of certain information technology items, which are included in depreciation and amortization expense.
 - (15) Expenses related to the write-off of deferred financing fees and other fees related to the refinancing of certain credit facilities, which is included in interest expense, net. The year ended December 31, 2016 also includes a tax benefit adjustment.

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- (16) Expenses primarily related with the tax restructuring and costs related to the settlement of a 2007 breach of contract claim, which are included in marketing, general and administrative expense.

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

	Year Ended December 31,		
	2016	2015	2014
Net income attributable to Norwegian Cruise Line Holdings Ltd.	\$633,085	\$427,137	\$338,352
Interest expense, net	276,859	221,909	151,754
Income tax expense (benefit)	7,218	6,772	(2,267)
Depreciation and amortization expense	432,495	432,114	273,147
EBITDA	1,349,657	1,087,932	760,986
Net income attributable to non-controlling interest	—	—	4,249
Other expense, net (1)	8,302	46,668	10,853
Non-cash deferred compensation (2)	3,167	10,154	7,693
Non-cash share-based compensation (3)	66,414	42,211	20,627
Secondary Equity Offerings' expenses (4)	—	2,226	2,075
Severance payments and other fees (5)	8,223	17,580	—
Management NCL Corporation Units exchange expenses (6)	—	624	—
Acquisition of Prestige expenses (7)	6,395	27,170	57,513
Deferred revenue (8)	1,057	32,431	10,052
Contingent consideration adjustment (9)	—	(43,400)	—
Contract renegotiation and termination expenses (10)	1,000	3,319	—
Other (11)	217	—	3,804
Adjusted EBITDA	\$1,444,432	\$1,226,915	\$877,852

- (1) Primarily consists of gains and losses, net for derivative contracts and forward currency exchanges.
- (2) Non-cash deferred compensation expenses related to the crew pension plan and other crew expenses, which are included in payroll and related expense.
- (3) Non-cash share-based compensation expense related to equity awards, which are included in marketing, general and administrative expense and payroll and related expense.
- (4) Expenses related to the Secondary Equity Offerings, which are included in marketing, general and administrative expense.
- (5) Severance payments and other expenses related to restructuring costs and other severance arrangements, which are included in marketing, general and administrative expense.
- (6) Expenses related to the exchange of Management NCL Corporation Units for ordinary shares, which are included in marketing, general and administrative expense.
- (7) Expenses related to the Acquisition of Prestige, which are included in marketing, general and administrative expense.
- (8) Deferred revenue fair value adjustments related to the Acquisition of Prestige that were made pursuant to business combination accounting rules, which are primarily included in passenger ticket revenue.
- (9) Contingent consideration fair value adjustment related to the Acquisition of Prestige, which is included in marketing, general and administrative expense.

- (10) Contract renegotiation and termination expenses, net related to the Acquisition of Prestige, which are included in other cruise operating expense and marketing, general and administrative expense.
The year ended December 31, 2016 includes legal expenses related to the extinguishment of senior unsecured
- (11) notes and the year ended December 31, 2014 includes expenses primarily related to the tax restructuring and costs related to the settlement of a 2007 breach of contract claim, which are included in marketing, general and administrative expense.

Year Ended December 31, 2016 (“2016”) Compared to Year Ended December 31, 2015 (“2015”)

Revenue

Total revenue increased 12.2% to \$4.9 billion in 2016 compared to \$4.3 billion in 2015 primarily due to an increase in Capacity Days and improved pricing. Gross Yield increased 0.7%. Net Revenue in 2016 increased 13.8% to \$3.8 billion from \$3.3 billion in 2015 due to an increase in Capacity Days of 11.4% and an increase in Net Yield of 2.1%. The increase in Capacity Days was primarily due to the delivery of Norwegian Escape in October 2015, Sirena joining our fleet in April 2016 and the delivery of Seven Seas Explorer in June 2016. The increase in Net Yield was primarily due to improved pricing. Adjusted Net Revenue includes a deferred revenue fair value adjustment of \$32.4 million in 2015 related to the Acquisition of Prestige. On a Constant Currency basis, Net Yield and Adjusted Net Yield increased 2.8% and 1.8%, respectively, in 2016 compared to 2015.

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Expense

Gross Cruise Cost increased 9.5% in 2016 compared to 2015 due to an increase in total cruise operating expense and marketing, general and administrative expenses. Total cruise operating expense increased 7.3% in 2016 compared to 2015 primarily due to the increase in Capacity Days as discussed above and an increase in marketing, general and administrative expenses. Total other operating expense increased 11.3% in 2016 compared to 2015 primarily due to an increase in marketing, general and administrative expenses which included an increase in marketing expenses of \$38.3 million and share-based compensation of \$16.4 million. The increase was also due to income of \$43.4 million related to a contingent consideration adjustment on the Acquisition of Prestige in 2015 which did not occur in 2016. Depreciation and amortization expense was relatively unchanged as the increase due to the addition of Norwegian Escape and ship improvement projects in 2016 was offset by the recognition in 2015 of an incremental \$51.6 million of amortization of intangible assets due to the Acquisition of Prestige. On a Capacity Day basis, Net Cruise Cost decreased slightly on an actual and a Constant Currency basis, due to a decrease in fuel expense partially offset by the increases in expenses discussed above. The average fuel price decreased 13.5% to \$466 per metric ton in 2016 from \$539 per metric ton in 2015. Adjusted Net Cruise Cost Excluding Fuel per Capacity Day increased 1.5% primarily due to the expenses discussed above (1.7% on a Constant Currency basis). We refer you to the “Results of Operations” above for a reconciliation of Gross Cruise Cost to Adjusted Net Cruise Cost Excluding Fuel.

Interest expense, net increased to \$276.9 million in 2016 from \$221.9 million in 2015 primarily due to an increase in average debt balances outstanding primarily associated with the delivery of new ships and newbuild installments as well as from higher interest rates due to an increase in LIBOR. Additionally, in connection with refinancings of our senior notes and certain of our credit facilities, interest expense, net included losses on extinguishment of debt and debt modification costs of \$39.2 million in 2016 and losses on extinguishment of debt of \$12.6 million in 2015.

Other income (expense), net was an expense of \$8.3 million in 2016 compared to an expense of \$46.7 million in 2015. In 2016, the expense was primarily related to \$16.1 million of unrealized and realized losses on fuel swap derivative hedge contracts partially offset by \$4.5 million of gains on foreign currency exchange and \$3.9 million of gains on foreign currency exchange derivative hedge contracts. In 2015, the expense was primarily related to \$30.7 million of losses from the dedesignation of certain fuel swap derivative hedge contracts and the ineffectiveness of settled fuel swaps in 2015. Also included in 2015 was an expense of \$26.2 million related to the fair value adjustment of a foreign exchange collar which does not receive hedge accounting treatment partially offset by \$11.0 million of foreign currency transaction gains.

In 2016, we had an income tax expense of \$7.2 million compared to \$6.8 million in 2015.

Year Ended December 31, 2015 (“2015”) Compared to Year Ended December 31, 2014 (“2014”)

Revenue

Total revenue increased 39.0% to \$4.3 billion in 2015 compared to \$3.1 billion in 2014. Gross Yield increased 18.3%. Net Revenue increased 37.9% in 2015, primarily due to an increase in Capacity Days of 17.5% and Net Yield of 17.4%. The increase in Capacity Days was primarily due to the Acquisition of Prestige, the delivery of Norwegian Escape and the operation of Norwegian Getaway for the full year of 2015. The increase in Net Yield was primarily due to an increase in passenger ticket pricing and higher onboard and other revenue. Adjusted Net Revenue for 2015 includes a deferred revenue fair value adjustment of \$32.4 million related to the Acquisition of Prestige. On a Constant Currency basis, Net Yield and Adjusted Net Yield increased 19.4% and 20.0%, respectively, in 2015 compared to 2014.

Expense

Gross Cruise Cost increased 36.6% in 2015 compared to 2014 due to an increase in total cruise operating expense and marketing, general and administrative expenses. Total cruise operating expense increased 36.4% in 2015 compared to 2014 primarily due to the increase in Capacity Days as discussed above. Total other operating expense increased 46.0% in 2015 compared to 2014 primarily due to an increase in marketing, general and administrative expenses primarily related to the Acquisition of Prestige including certain restructuring and severance costs, as well as amortization expense related to the Prestige intangible assets and depreciation expense related to the Prestige ships. These increases were partially offset by the \$43.4 million fair value adjustment for the contingent consideration related to the Acquisition of Prestige. On a Capacity Day basis, Net Cruise Cost increased 14.0% (14.8% on a Constant Currency basis) due to an increase in marketing, general and administrative expenses as discussed above and certain crew related expenses, partially offset by a decrease in fuel expense which was primarily the result of a 13.8% decrease in the average fuel price to \$539 per metric ton in 2015 from \$625 per metric ton in 2014. Adjusted Net Cruise Cost Excluding Fuel per Capacity Day increased 24.0% (25.0% on a Constant Currency basis) primarily due to the increase in expenses discussed above.

Interest expense, net increased to \$221.9 million in 2015 from \$151.8 million in 2014 primarily due to an increase in average debt outstanding in connection with the Acquisition of Prestige.

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Other income (expense), net was an expense of \$46.7 million in 2015 compared to an expense of \$10.9 million in 2014. This increase was primarily related to an expense of \$30.7 million from the dedesignation of certain fuel swap derivative hedge contracts and the ineffectiveness of settled fuel swaps in 2015. Also included in 2015 was an expense of \$26.2 million related to the fair value adjustment of a foreign exchange collar which does not receive hedge accounting treatment partially offset by \$11.0 million of foreign currency transaction gains.

We had an income tax expense of \$6.8 million in 2015 compared to an income tax benefit of \$2.3 million in 2014. During the fourth quarter of 2013, we completed the implementation of a tax restructuring which had a favorable impact on the amount of income subject to U.S. corporate tax which continued through calendar year 2014 and 2015. In addition, during the first quarter of 2014, we received information which allowed us to elect a tax method to calculate deductible interest expense resulting in a tax benefit of \$11.1 million including a \$5.3 million non-recurring benefit that has been excluded from Adjusted Net Income and Adjusted EPS for the year ended December 31, 2014.

Liquidity and Capital Resources

General

As of December 31, 2016, our liquidity was \$749.3 million consisting of \$128.3 million in cash and cash equivalents and \$621.0 million available under our New Revolving Loan Facility. Our primary ongoing liquidity requirements are to finance working capital, capital expenditures and debt service.

As of December 31, 2016, we had a working capital deficit of \$1.9 billion. This deficit included \$1.2 billion of advance ticket sales, which represents the total revenue we collect in advance of sailing dates and accordingly are substantially more like deferred revenue balances rather than actual current cash liabilities. Our business model, along with our New Revolving Loan Facility, allows us to operate with a working capital deficit and still meet our operating, investing and financing needs.

Our existing debt agreements restrict, and any of our future debt arrangements may restrict, among other things, the ability of our subsidiaries, including NCLC, to make distributions and/or to pay dividends to NCLH and our ability to pay cash dividends to our shareholders. We are a holding company and depend upon our subsidiaries for their ability to pay distributions to us to finance any dividend or pay any other obligations of NCLH. However, we do not believe that these restrictions have had or are expected to have an impact on our ability to meet any cash obligations.

Sources and Uses of Cash

In this section, references to 2016 refer to the year ended December 31, 2016, references to 2015 refer to the year ended December 31, 2015 and references to 2014 refer to the year ended December 31, 2014.

Net cash provided by operating activities was \$1.2 billion in 2016 compared to \$1.0 billion in 2015 and \$635.6 million in 2014. The change in net cash provided by operating activities in 2016 reflects net income of \$633.1 million, as well as timing differences in cash receipts and payments relating to operating assets and liabilities and advance ticket sales of \$135.0 million. The change in net cash provided by operating activities in 2015 reflects net income of \$427.1 million compared to net income of \$342.6 million in 2014, as well as timing differences in cash receipts and payments relating to operating assets and liabilities and advance ticket sales of \$218.3 million in 2015 compared to \$(23.9) million in 2014.

Net cash used in investing activities was \$1.1 billion in 2016, primarily related to payments for the delivery of Seven Seas Explorer, ship improvements, ships under construction and shoreside projects. Net cash used in investing activities was \$1.2 billion in 2015, primarily related to payments for our newbuild ships, the delivery of Norwegian Escape, ship improvements and shoreside projects. Net cash used in investing activities was \$1.8 billion in 2014, primarily due to payments related to the Acquisition of Prestige, the delivery of Norwegian Getaway, and our Breakaway Plus Class Ships and other ship improvements and shoreside projects.

Net cash used in financing activities was \$98.3 million in 2016, primarily from the repayments of our 5.25% senior unsecured notes, net repayments of our New Revolving Loan Facility and other loan facilities, the repurchase of our ordinary shares and deferred financing fees and other, partially offset by issuance of our \$700.0 million 4.750% senior unsecured notes. Net cash provided by financing activities was \$195.2 million in 2015, primarily from the issuance of our \$600.0 million 4.625% senior unsecured notes, borrowings related to our Revolving Loan Facility and our Breakaway three loan facility for the delivery of Norwegian Escape, partially offset by redemption of our \$300.0 million 5.00% senior unsecured notes due 2018 and repayments on our Revolving Loan Facility and other loan facilities. Net cash provided by financing activities was \$1.2 billion in 2014, primarily due to borrowings of an incremental \$700.0 million under our \$1.4 billion term loan facility, our \$350.0 million senior secured term loan facility and borrowings under the Breakaway two loan and credit facilities related to our Breakaway Plus Class Ships partially offset by repayments of our Revolving Loan Facility and other borrowings. In November 2014, we also issued the \$680.0 million 5.25% senior unsecured notes which have been redeemed.

Future Capital Commitments

Future capital commitments consist of contracted commitments, including ship construction contracts, and future expected capital expenditures necessary for operations as well as our ship refurbishment projects. As of December 31, 2016, anticipated capital

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expenditures were \$1.3 billion for each of the years ending December 31, 2017 and 2018 and \$1.2 billion for 2019. We have export credit financing in place for the expenditures related to ship construction contracts of \$0.8 billion for 2017, \$0.7 billion for 2018 and \$0.6 billion for 2019. These future expected capital expenditures will significantly increase our depreciation and amortization expense.

We have Norwegian Joy, Norwegian Bliss and one additional Breakaway Plus Class Ship on order for delivery in the spring of 2017, spring of 2018 and the fall of 2019, respectively. These ships will be amongst the largest in our fleet, each reaching approximately 164,600 Gross Tons. The combined contract price of these three ships is approximately €2.6 billion, or \$2.7 billion based on the euro/U.S. dollar exchange rate as of December 31, 2016. We have export credit financing in place that provides financing for 80% of their contract prices. We have an Explorer Class Ship on order with an original contract price of approximately €422.0 million, or approximately \$443.8 million based on the euro/U.S. dollar exchange rate as of December 31, 2016. We have export credit financing in place that provides financing for 80% of the contract price. The Explorer Class Ship is expected to be delivered in the winter of 2020.

In February 2017, we announced that we plan to introduce an additional four ships with expected delivery dates through 2025 and we have an option to introduce two additional ships for delivery in 2026 and 2027, subject to certain conditions. These four ships are each 140,000 gross tons with approximately 3,300 Berths. The contract price for each of the four ships is approximately €800.0 million, subject to certain conditions, or \$841.4 million based on the exchange rate as of December 31, 2016. We have obtained export credit financing for the four ships to fund approximately 80% of the contract price of each ship expected to be delivered through 2025, subject to certain conditions.

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 years ended December 31, 2016, 2015 and 2014 was \$33.7 million, \$31.9 million and \$22.0 million, respectively, primarily associated with the construction of our newbuild ships.

Off-Balance Sheet Transactions

None.

Contractual Obligations

As of December 31, 2016, 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):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt ⁽¹⁾	\$6,514,604	\$560,193	\$1,116,533	\$3,347,556	\$1,490,322
Operating leases ⁽²⁾	151,591	15,759	30,704	28,849	76,279
Ship construction contracts ⁽³⁾	3,153,995	976,005	1,851,279	326,711	—
Port facilities ⁽⁴⁾	286,993	54,301	66,479	61,198	105,015
Interest ⁽⁵⁾	1,009,071	213,455	382,079	270,373	143,164
Other ⁽⁶⁾	190,646	58,150	70,011	39,029	23,456
Total	\$11,306,900	\$1,877,863	\$3,517,085	\$4,073,716	\$1,838,236

(1) Includes premiums aggregating \$0.5 million. Also includes capital leases. The amount excludes deferred financing fees which are included in the consolidated balance sheets as an offset to long-term debt.

(2) Primarily for offices, motor vehicles and office equipment.

(3) For our newbuild ships based on the euro/U.S. dollar exchange rate as of December 31, 2016. Export credit financing is in place from syndicates of banks.

(4) Primarily for our usage of certain port facilities.

(5) Includes fixed and variable rates with LIBOR held constant as of December 31, 2016.

(6) Future commitments for service, maintenance and other Business Enhancement Capital Expenditure contracts.

The table above does not include the ships on order after December 31, 2016 as part of Project Leonardo.

The table above does not include \$11.1 million of unrecognized tax benefits (we refer you to the Notes to the Consolidated Financial Statements Note—11 “Income Tax”).

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Other

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

As a routine part of our business, depending on market conditions, exchange rates, pricing and our strategy for growth, we regularly consider opportunities to enter into contracts for the building of additional ships. We may also consider the sale of ships, potential acquisitions and strategic alliances. If any of these 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

Certain of our debt agreements contain covenants that, among other things, require us to maintain a minimum level of liquidity, as well as limit our net funded debt-to-capital ratio, maintain certain other ratios and restrict our ability to pay dividends. Substantially all of our ships and other property and equipment are pledged as collateral for certain of our debt. We believe we were in compliance with these covenants as of December 31, 2016.

The impact of changes in world economies and especially the global credit markets can create 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 facility 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. There is no assurance that cash flows from operations and additional financings will be available in the future to fund our future obligations.

Item 7A. Qualitative and Quantitative Disclosures about Market Risk

General

We are exposed to market risk attributable to changes in interest rates, foreign currency exchange rates and fuel prices. We attempt to minimize these risks through a combination of our normal operating and financing activities and through the use of derivatives. The financial impacts of these derivative instruments are primarily offset by corresponding changes in the underlying exposures being hedged. We achieve this by closely matching the notional, term and conditions of the derivatives with the underlying risk being hedged. We do not hold or issue derivatives for trading or other speculative purposes. Derivative positions are monitored using techniques including market valuations and sensitivity analyses.

Interest Rate Risk

As of December 31, 2016, we had interest rate swap agreements to hedge our exposure to interest rate movements and to manage our interest expense. As of December 31, 2016, 55.0% of our debt was fixed and 45.0% was variable, which includes the effects of the interest rate swaps. The notional amount of outstanding debt associated with the interest rate swap agreements as of December 31, 2016 was \$308.5 million. Based on our December 31, 2016 outstanding variable rate debt balance, a one percentage point increase in annual LIBOR would increase our annual interest expense by approximately \$29.1 million excluding the effects of capitalization of interest.

Foreign Currency Exchange Rate Risk

As of December 31, 2016, we had foreign currency derivatives to hedge the exposure to volatility in foreign currency exchange rates related to our ship construction contracts denominated in euros. These derivatives hedge the foreign currency exchange rate risk on a portion of the payments on our ship construction contracts. The payments not hedged aggregate €146.9 million, or \$154.5 million based on the euro/U.S. dollar exchange rate as of December 31, 2016. We estimate that a 10% change in the euro as of December 31, 2016 would result in a \$15.5 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 11.8%, 13.5% and 16.8% for the years ended December 31, 2016, 2015 and 2014, respectively. We use fuel derivative agreements to mitigate the financial impact of fluctuations in fuel prices and as of December 31, 2016, we had hedged approximately 78%, 66%, 48% and 18% of our 2017, 2018, 2019 and 2020 projected metric tons of fuel purchases, respectively. We estimate that a 10% increase in our weighted-average fuel price would increase our anticipated 2017 fuel expense by \$28.5 million. This increase would be partially offset by an increase in the fair value of our fuel swap agreements of \$17.8 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.

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Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e), as of December 31, 2016. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2016 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 rules and forms of the Securities and Exchange Commission, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

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

Treadway Commission (“COSO Framework”). Based on this evaluation under the COSO Framework, management concluded that our internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, as stated in their report, which is included on page F-1.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

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

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Except for information concerning executive officers (called for by Item 401(b) of Regulation S-K), which is included in Part I of this annual report on Form 10-K and except as disclosed below with respect to our Code of Business Conduct and Ethics, the information required under Item 10 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016 in connection with our 2017 Annual General Meeting of Shareholders.

Code of Ethical Business Conduct

We have adopted a Code of Ethical Business Conduct that applies to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions, and our directors. This document is posted on our website at www.nclhltinvestor.com. We intend to disclose waivers from, and amendments to, our Code of Ethical Business Conduct that apply to our directors and executive officers, including our principal executive officer, principal financial officer, principal accounting officers or controller and persons performing similar functions, by posting such information on our website www.nclhltinvestor.com to the extent required by applicable rules of the SEC and The Nasdaq Stock Market LLC. None of the websites referenced in this annual report on Form 10-K or the information contained therein is incorporated herein by reference.

Item 11. Executive Compensation

The information required under Item 11 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016 in connection with our 2017 Annual General Meeting of Shareholders.

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

The information required under Item 12 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016 in connection with our

2017 Annual General Meeting of Shareholders.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required under Item 13 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016 in connection with our 2017 Annual General Meeting of Shareholders.

Item 14. Principal Accounting Fees and Services

The information required under Item 14 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016 in connection with our 2017 Annual General Meeting of Shareholders.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

(1) Financial Statements

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

(2) Financial Statement Schedules

Schedule II: Valuation and Qualifying Accounts

(3) Exhibits

The exhibits listed on the accompanying Index to Exhibits are filed or incorporated by reference as part of this annual report on Form 10-K and such Index to Exhibits is hereby incorporated herein by reference.

Item 16. Form 10-K Summary

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in Miami, Florida, on February 27, 2017.

NORWEGIAN CRUISE LINE HOLDINGS LTD.

By: /s/ Frank J. Del Rio

Name: **Frank J. Del Rio**

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

POWER OF ATTORNEY

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

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

Signature	Title	Date
/s/ Frank J. Del Rio Frank J. Del Rio	Director, President and Chief Executive Officer (Principal Executive Officer)	February 27, 2017
/s/ Wendy A. Beck Wendy A. Beck	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 27, 2017
/s/ Faye L. Ashby Faye L. Ashby	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 27, 2017

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/s/ Adam M. Aron Adam M. Aron	Director	February 27, 2017
/s/ John Chidsey John Chidsey	Director	February 27, 2017
/s/ Chad A. Leat Chad A. Leat	Director	February 27, 2017
/s/ Steve Martinez Steve Martinez	Director	February 27, 2017
/s/ Walter L. Revell Walter L. Revell	Director	February 27, 2017
/s/ David M. Abrams David M. Abrams	Director	February 27, 2017
/s/ Stella David Stella David	Director	February 27, 2017
/s/ Russell W. Galbut Russell W. Galbut	Director	February 27, 2017

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INDEX TO EXHIBITS

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger, dated as of September 2, 2014, by and among Prestige Cruises International, Inc., Norwegian Cruise Line Holdings Ltd., Portland Merger Sub, Inc. and Apollo Management, L.P. (incorporated herein by reference to Exhibit 2.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on September 4, 2014 (File No. 001-35784))
2.2	Amendment No. 1 to the Agreement and Plan of Merger, dated as of October 6, 2014, by and among Prestige Cruises International, Inc., Norwegian Cruise Line Holdings Ltd., Portland Merger Sub, Inc. and Apollo Management, L.P. (incorporated herein by reference to Exhibit 2.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on October 8, 2014 (File No. 001-35784))
3.1	Memorandum of Association of Norwegian Cruise Line Holdings Ltd. (incorporated herein by reference to Exhibit 3.1 to amendment no. 5 to Norwegian Cruise Line Holdings Ltd.'s registration statement on Form S-1 filed on January 8, 2013 (File No. 333-175579))
3.2	Amended and Restated Bye-Laws of Norwegian Cruise Line Holdings Ltd., effective as of May 20, 2015 (incorporated herein by reference to Exhibit 3.2 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on May 26, 2015 (File No. 001-35784))
4.1	Indenture, dated as of December 14, 2016, between NCL Corporation Ltd. and U.S. Bank National Association, as trustee with respect to \$700.0 million aggregate principal amount of 4.750% senior unsecured notes due 2021 (incorporated herein by reference to Exhibit 4.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on December 14, 2016 (File No. 001-35784))
4.2	Indenture, dated as of November 10, 2015, between NCL Corporation Ltd. and U.S. Bank National Association, as trustee with respect to \$600.0 million aggregate principal amount of 4.625% senior unsecured notes due 2020 (incorporated herein by reference to Exhibit 4.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on November 10, 2015 (File No. 001-35784))
4.3	Indenture, dated as of November 19, 2014, between NCL Corporation Ltd. and U.S. Bank National Association, as trustee with respect to \$680.0 million aggregate principal amount of 5.25% senior unsecured notes due 2019 (incorporated herein by reference to Exhibit 4.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on November 20, 2014 (File No. 001-35784))
4.4	Form of Certificate of Ordinary Shares (incorporated herein by reference to Exhibit 4.7 to amendment no. 5 to Norwegian Cruise Line Holdings Ltd.'s registration statement on Form S-1 filed on January 8, 2013 (File No. 333-175579))
9.1	Deed of Trust, dated January 24, 2013, by and between Norwegian Cruise Line Holdings Ltd. and State House Trust Company Limited (incorporated herein by reference to Exhibit 9.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on February 8, 2013 (File No. 001-35784))

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- 10.1 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 to Norwegian Cruise Line Holdings Ltd.'s report on Form 8-K/A filed on July 11, 2013 (File No. 001-35784)) +†
- 10.2 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 to Norwegian Cruise Line Holdings Ltd.'s report on Form 8-K/A filed on July 11, 2013 (File No. 001-35784)) +†
- 10.3 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 to Norwegian Cruise Line Holdings Ltd.'s report on Form 8-K/A filed on July 11, 2013 (File No. 001-35784)) +†
- 10.4 Sixth Supplemental Deed, dated June 1, 2012, to €662.9 million Norwegian Epic Loan, dated as of September 22, 2006, as amended, by and among F3 Two, Ltd., NCL Corporation Ltd. and a syndicate of international banks and related amended and restated Guarantee by NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.5 to NCL Corporation Ltd.'s report on Form 6-K/A filed on January 8, 2013 (File No. 333-128780)) +†
- 10.5 Letter, dated November 27, 2015, amending €662.9 million Norwegian Epic Loan, dated as of September 22, 2006, as amended, by and among Norwegian Epic, Ltd. (formerly F3 Two, Ltd.), NCL Corporation Ltd. and a syndicate of international banks and related amended and restated Guarantee by NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.5 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 29, 2016 (File No. 001-35784))
- 10.6 Office Lease Agreement, dated as of November 27, 2006, by and between NCL (Bahamas) Ltd. and Hines Reit Airport Corporate Center

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Exhibit Number	Description of Exhibit
	LLC and related Guarantee by NCL Corporation Ltd., and First Amendment, dated November 27, 2006 (incorporated herein by reference to Exhibit 4.46 to NCL Corporation Ltd.'s annual report on Form 20-F filed on March 6, 2007 (File No. 333-128780)) +
10.7	Amendment No. 1, dated December 1, 2006, Amendment No. 2, dated March 20, 2007, Amendment No. 3, dated July 31, 2007, and Amendment No. 4, dated December 10, 2007, to Office Lease Agreement, dated December 1, 2006, as amended, by and between Hines Reit Airport Corporate Center LLC and NCL (Bahamas) Ltd. (incorporated herein by reference to Exhibit 4.64 to NCL Corporation Ltd.'s annual report on Form 20-F filed on March 13, 2008 (File No. 333-128780)) +
10.8	Amendment No. 5, dated February 2, 2010, to Office Lease Agreement, dated December 1, 2006, as amended, by and between Hines Reit Airport Corporate Center LLC and NCL (Bahamas) Ltd. (incorporated herein by reference to Exhibit 10.45 to amendment no. 2 to NCL Corporation Ltd.'s registration statement on Form S-1 filed on January 31, 2011 (File No. 333-170141))
10.9	Amendment No. 6, dated April 1, 2012, and Amendment No. 7, dated June 19, 2012, to Office Lease Agreement, dated December 1, 2006, as amended, by and between Hines Reit Airport Corporate Center LLC and NCL (Bahamas) Ltd. (incorporated herein by reference to Exhibit 10.6 to NCL Corporation Ltd.'s report on Form 6-K filed on November 2, 2012 (File No. 333-128780)) +
10.10	Amendment No. 8, dated January 28, 2015, to Office Lease Agreement, dated December 1, 2006, as amended, by and between SPUS7 Miami ACC, LP and NCL (Bahamas) Ltd. (incorporated herein by reference to Exhibit 10.3 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on May 8, 2015 (File No. 001-35784))+
10.11	Amendment No. 9, dated June 30, 2015, to Office Lease Agreement, dated December 1, 2006, as amended, by and between SPUS7 Miami ACC, LP and NCL (Bahamas) Ltd. (incorporated herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on August 7, 2015 (File No. 001-35784))+
10.12	Amendment No. 10, dated March 31, 2016, to Office Lease Agreement, dated December 1, 2006, as amended, by and between SPUS7 Miami ACC, LP and NCL (Bahamas) Ltd. (incorporated herein by reference to Exhibit 10.5 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on May 10, 2016 (File No. 001-35784))+
10.13	Shareholders' Agreement, dated January 24, 2013, by and among Norwegian Cruise Line Holdings Ltd., Genting Hong Kong Limited, Star NCLC Holdings Ltd., AAA Guarantor—Co-Invest VI (B), L.P., AIF VI NCL (AIV), L.P., AIF VI NCL (AIV II), L.P., AIF VI NCL (AIV III), L.P., AIF VI NCL (AIV IV), L.P., Apollo Overseas Partners (Delaware) VI, L.P., Apollo Overseas Partners (Delaware 892) VI, L.P., Apollo Overseas Partners VI, L.P., Apollo Overseas Partners (Germany) VI, L.P., TPG Viking, L.P., TPG Viking AIV I, L.P., TPG Viking AIV II, L.P. and TPG Viking AIV III, L.P. (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on January 30, 2013 (File No. 001-35784))
10.14	Amendment No. 1 to Amended and Restated Shareholders' Agreement of Norwegian Cruise Line Holdings, Ltd., dated as of November 19, 2014, by and among Norwegian Cruise Line Holdings, Ltd., Genting Honk

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Kong Limited, STAR NCLC Holdings Ltd., AAA Guarantor Co-Invest VI (B), L.P., AIF VI NCL (AIV), L.P., AIF VI NCL (AIV II), L.P., AIF VI NCL (AIV III), L.P., AIG VI NCL (AIV IV), L.P., Apollo Overseas Partners (Delaware) VI, L.P., Apollo Overseas Partners (Delaware 892) VI, L.P., Apollo Overseas Partners VI, L.P., Apollo Overseas Partners (Germany) VI, L.P., TPG Viking, L.P., TPG Viking AIV I, L.P., TPG Viking AIV II, L.P., TPG Viking AIV III, L.P., AIF VI Euro Holdings, L.P., AAA Guarantor – Co-Invest VII, L.P., AIF VII Euro Holdings, L.P., Apollo Alternative Assets, L.P., Apollo Management VI, L.P. and Apollo Management VII, L.P. (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.’s Form 8-K filed on November 20, 2014 (File No. 001-35784))

10.15 €529.8 million Breakaway One Credit Agreement, dated November 18, 2010, by and among Breakaway One, Ltd. and a syndicate of international banks and related Guarantee by NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.57 to amendment no. 4 to NCL Corporation Ltd.’s registration statement on Form S-1 filed on June 9, 2011 (File No. 333-170141)) +

10.16 First Amendment, dated May 31, 2012, to €529.8 million Breakaway One Credit Agreement, dated November 18, 2010, as amended, by and among Breakaway One, Ltd. and a syndicate of international banks (incorporated herein by reference to Exhibit 10.13 to NCL Corporation Ltd.’s report on Form 6-K filed on November 2, 2012 (File No. 333-128780)) +

10.17 €529.8 million Breakaway Two Credit Agreement, dated as of November 18, 2010, by and among Breakaway Two, Ltd. and a syndicate of international banks and related Guarantee by NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.58 to amendment no. 4 to NCL Corporation Ltd.’s registration statement on Form S-1 filed on June 9, 2011 (File No. 333-170141)) +

10.18 First Amendment, dated December 21, 2010, to €529.8 million Breakaway Two Credit Agreement, dated as of November 18, 2010, by and among Breakaway Two, Ltd. and a syndicate of international banks and a related Guarantee by NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.59 to amendment no. 2 to NCL Corporation Ltd.’s registration statement on Form S-1 filed on January 31, 2011 (File No. 333-170141))

10.19 Second Amendment, dated May 31, 2012, to €529.8 million Breakaway Two Credit Agreement, dated as of November 18, 2010, by and among Breakaway Two, Ltd. and a syndicate of international banks (incorporated herein by reference to Exhibit 10.14 to NCL Corporation Ltd.’s report on Form 6-K filed on November 2, 2012 (File No. 333-128780)) +

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Exhibit Number	Description of Exhibit
10.20	€590.5 million Breakaway Three Credit Agreement, dated October 12, 2012, by and among Breakaway Three, Ltd. and various other lenders therein defined and a related Guaranty by NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.17 to NCL Corporation Ltd.'s report on Form 6-K/A filed on January 8, 2013 (File No. 333-128780)) +
10.21	Supplemental Agreement, dated July 26, 2016, to €590.5 million Breakaway Four Credit Agreement, dated October 12, 2012, by and among Breakaway Four, Ltd., as borrower, NCL Corporation Ltd., as guarantor, NCL International, Ltd., as shareholder and KfW IPEX-Bank GmbH, as facility agent and lender (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on November 9, 2016 (File No. 001-35784))+ †
10.22	Second Amended and Restated Credit Agreement, dated as of June 6, 2016, by and among NCL Corporation Ltd., as borrower, Voyager Vessel Company, LLC, as co-borrower, JPMorgan Chase Bank, N.A., as administrative agent and as collateral agent 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 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on August 9, 2016 (File No. 001-35784))+ †
10.23	Supplemental Agreement, dated December 22, 2015, to €665.9 million Seahawk One Credit Agreement, dated July 14, 2014, by and among Seahawk One, Ltd. and various other lenders therein defined and a related guarantee by NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.33 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 29, 2016 (File No. 001-35784))+ †
10.24	Supplemental Agreement, dated December 22, 2015, to €665.9 million Seahawk Two Credit Agreement, dated July 14, 2014, by and among Seahawk Two, Ltd. and various other lenders therein defined and a related guarantee by NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.35 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 29, 2016 (File No. 001-35784))+ †
10.25	Amendment and Restatement Agreement, dated October 31, 2014, but effective as of November 19, 2014, relating to the loan agreement originally dated July 18, 2008, among Riviera New Build, LLC, as borrower, the banks and financial institutions listed in Schedule 1 as lenders, Crédit Agricole Corporate and Investment Bank and Société Générale, as mandated lead arrangers and Crédit Agricole Corporate and Investment Bank as agent and SACE agent (incorporated herein by reference to Exhibit 10.72 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2015 (File No. 001-35784))+ †
10.26	Guarantee relating to the loan agreement dated July 18, 2008 in respect of the Oceania Riviera, dated October 31, 2014, but effective November 19, 2014, among NCL Corporation Ltd., as guarantor, the banks and financial institutions listed in Schedule 1 as lenders, Crédit Agricole Corporate and Investment Bank and Société Générale, as mandated lead arrangers and Crédit Agricole Corporate and Investment Bank as agent (incorporated herein by reference to Exhibit 10.73 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2015 (File No. 001-35784))+
10.27	Amendment and Restatement Agreement, dated October 31, 2014, but effective as of November 19, 2014, relating to the loan agreement originally dated July 18, 2008, among Marina New Build, LLC, as borrower, the banks and financial institutions listed in Schedule 1 as lenders, Crédit Agricole Corporate and Investment Bank and Société Générale, as mandated lead arrangers and Crédit Agricole Corporate and Investment Bank as agent and SACE agent (incorporated herein by reference to Exhibit 10.74 to Norwegian

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Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2015 (File No. 001-35784))+†

10.28 Guarantee relating to the loan agreement dated July 18, 2008 in respect of the Oceania Marina, dated October 31, 2014, but effective November 19, 2014, among NCL Corporation Ltd., as guarantor, the banks and financial institutions listed in Schedule 1 as lenders, Crédit Agricole Corporate and Investment Bank and Société Générale, as mandated lead arrangers and Crédit Agricole Corporate and Investment Bank as agent (incorporated herein by reference to Exhibit 10.75 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2015 (File No. 001-35784))+

10.29 Amendment and Restatement Agreement, dated October 31, 2014, but effective as of November 19, 2014, relating to the loan agreement originally dated July 31, 2013, among Explorer New Build, LLC, as borrower, the banks and financial institutions listed in Schedule 1 as lenders, Crédit Agricole Corporate and Investment Bank, Société Générale, HSBC Bank plc, KFW IPEX-Bank GmbH, as joint mandated lead arrangers and Crédit Agricole Corporate and Investment Bank as agent, SACE agent and security trustee (incorporated herein by reference to Exhibit 10.76 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2015 (File No. 001-35784))+†

10.30 Guarantee relating to the loan agreement dated July 31, 2013 in respect of the Seven Seas Explorer, dated October 31, 2014, but effective November 19, 2014, among NCL Corporation Ltd., as guarantor and Crédit Agricole Corporate and Investment Bank as security trustee (incorporated herein by reference to Exhibit 10.77 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2015 (File No. 001-35784))

10.31 Explorer Class Newbuild Loan Agreement, dated March 30, 2016, among Explorer II New Build, LLC, as borrower, the banks and financial institutions listed in Schedule 1 as lenders, Crédit Agricole Corporate and Investment Bank, Société Générale, HSBC Bank plc, KFW IPEX-Bank GmbH, as joint mandated lead arrangers and Crédit Agricole Corporate and Investment Bank as agent and security trustee (incorporated herein by reference to Exhibit 10.6 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on May 10, 2016 (File No. 001-35784))+

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**Exhibit
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Juan Carlos Vilariño has served on our board of directors since December 2013, on the board of TG since November 1995 and

Martha (Stormy) L. Byorum has served as a member of our board of directors since November 2011. Ms. Byorum is founder a

Ms. Byorum is a Life Trustee of Amherst College and a chairman of the finance committee of the board of directors of Northw

We believe Ms. Byorum is well-qualified to serve as a member of the board of directors due to her operational experience with

Julio A. Torres has served on our board of directors since October 2011. He previously served as our co-chief executive officer

We believe Mr. Torres is well-qualified to serve as a member of our board of directors due to his operational experience with N

Corporate Governance

Audit Committee

We have a standing audit committee of the board of directors, which consists of Martha L. Byorum, Samuel R. Azout and Julio

The audit committee has a written charter, a copy of which was filed with our Definitive Proxy Statement on Schedule 14A filed

reviewing and discussing with management and the independent auditor the annual audited financial statements, and recommending

discussing with management and the independent auditor significant financial reporting issues and judgments made in connection

discussing with management major risk assessment and risk management policies;

monitoring the independence of the independent auditor;

verifying the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner

reviewing and approving all related-party transactions;

inquiring and discussing with management our compliance with applicable laws and regulations;

pre-approving all audit services and permitted non-audit services to be performed by our independent auditor, including the fee

appointing or replacing the independent auditor;

determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between

establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting

The audit committee has discussed with the independent auditors the matters required by the Public Company Accounting Oversight Board

Financial Experts on Audit Committee

The audit committee will at all times be composed exclusively of “independent directors,” as defined for audit committee membership

Nominating Committee

We have a standing nominating committee, which consists of A. Lorne Weil, Martha L. Byorum, Samuel R. Azout and Juan Carlos

Guidelines for Selecting Director Nominees

The nominating committee considers persons identified by its members, management, shareholders, investment bankers and other

should have demonstrated notable or significant achievements in business, education or public service;

should possess the requisite intelligence, education and experience to make a significant contribution to the board of directors

should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of t

The nominating committee will consider a number of qualifications relating to management and leadership experience, background

There have been no material changes to the procedures by which shareholders may recommend nominees to the nominating co

Compensation Committee

We have a standing compensation committee consisting of Julio Torres, Samuel R. Azout and Juan Carlos Vilariño, with Julio

EXECUTIVE COMPENSATION**Overview**

Our policies with respect to the compensation of our executive officers are administered by our board in consultation with our c

Summary Compensation Table

The following table summarizes the total compensation for the years ended December 31, 2015 and 2014 of each of our named e

Name and principal position	Year	Salary	Bonus	Total
Jose M. Daes ⁽¹⁾ <i>Chief Executive Officer</i>	2015	\$720,000	\$132,000	\$852,000
	2014	\$683,000	\$	\$683,000
Christian T. Daes ⁽²⁾ <i>Chief Operating Officer</i>	2015	\$438,000	\$	\$438,000
	2014	\$430,000	\$	\$430,000
Joaquin Fernández ⁽³⁾ <i>Chief Financial Officer</i>	2015	\$142,200	\$12,000	\$154,200
	2014	\$180,000	\$34,000	\$214,000

(1)Mr. Daes was appointed chief executive officer in December 2013 in connection with the Merger. Mr. Daes also serves as c

(2)Mr. Daes was appointed chief operating officer in December 2013 in connection with the Merger. Mr. Daes also serves as c

(3)Mr. Fernández was appointed chief financial officer in December 2013 in connection the Merger. Mr. Fernandez also serves

Compensation Arrangements with Named Executive Officers

At present, we do not have employment agreements in place for our current executive officers. We have determined to continu

Equity Awards at Fiscal Year End

As of December 31, 2015, we had not granted any share options, share appreciation rights or any other awards under long-term

Director Compensation

For the year ended December 31, 2015, we did not compensate any of our directors for their service on the board. However, we

PRINCIPAL SECURITYHOLDERS

The following table sets forth information as of September 16, 2016 regarding the beneficial ownership of our ordinary shares

Each person known to be the beneficial owner of more than 5% of our outstanding ordinary shares;

Each director and each named executive officer; and

All current executive officers and directors as a group.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect

*Less than 1%

(1) Unless otherwise indicated, the business address of each of the individuals is Avenida Circunvalar a 100 mts de la Via 40, B

- (2) Does not include shares held by Energy Holding Corporation, in which this person has an indirect ownership interest.
- (3) Represents all ordinary shares held by Energy Holding Corporation, of which Messrs. Joaquin Fernandez and Alberto Velilla are the sole owners.
- (4) Does not include 253,000 ordinary shares held by Child's Trust f/b/o Francesca Weil u/a dated March 4, 2010 and 253,000 ordinary shares held by Child's Trust f/b/o Francesca Weil u/a dated March 4, 2010.
- (5) Red Oak Partners may be deemed to beneficially own 1,969,021 ordinary shares which includes: (i) 667,641 ordinary shares

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Transactions

E.S. Windows, LLC

The majority of shares of ESW LLC, a Florida limited liability company, are owned by Jose Daes, Christian Daes and Evelyn I

Ventanas Solar S.A.

Ventanas Solar S.A. (“VS”), a Panama *sociedad anónima*, is an importer and installer of the Company’s products in Panama. F

Merger Consideration

Energy Holding Corp., the sole shareholder of Tecnoglass Holding whose shareholders are all of the former shareholders of Te

Pursuant to the agreement and plan of reorganization, we issued to Energy Holding Corp. an aggregate of 500,000 ordinary sha

Energy Holding Corp. also has the contractual right to receive an additional 1,500,000 ordinary shares, to be released upon the

If either the ordinary share target or the maximum EBITDA target is met, Energy Holding Corp. will receive the maximum num

Joaquin Fernandez and Alberto Velilla Becerra are directors of Energy Holding Corporation. Jose Daes and Christian Daes are

Registration Rights

Our initial shareholders, Energy Holding Corp., holders of the private warrants and warrants issued upon conversion of a prom

Transfer Agreements in connection with Merger

On December 19, 2013, we entered into an agreement with an affiliate of A. Lorne Weil, our non-executive chairman of the board.

Also on December 19, 2013, we entered into subscription agreements with two investors pursuant to which such investors agreed to purchase shares of our common stock.

Indemnification Agreements

Effective March 5, 2014, we entered into indemnification agreements with each of our executive officers and members of our board of directors.

Private Placement with Affiliate of A. Lorne Weil

On March 5, 2014, we entered into a subscription agreement with an affiliate of A. Lorne Weil, our Non-Executive Chairman of the Board.

Warrant Exchange

In September 2016, we completed our previously announced warrant exchange whereby each warrant holder was given the opportunity to exchange their warrants for shares of common stock.

Related Person Policy

Our Code of Ethics requires us to avoid, wherever possible, all related party transactions that could result in actual or potential conflicts of interest.

Our audit committee, pursuant to its written charter, is responsible for reviewing and approving related-party transactions to the company.

These procedures are intended to determine whether any such related party transaction impairs the independence of a director or officer.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for in

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and control

LEGAL MATTERS

The validity of the ordinary shares offered in this prospectus is being passed upon for us by Maples and Calder, Cayman Island

EXPERTS

The financial statements as of December 31, 2015 and 2014 and for each of the two years in the period ended December 31, 20

WHERE YOU CAN FIND ADDITIONAL INFORMATION

This prospectus is part of a registration statement we have filed with the SEC. We have not included in this prospectus all of th

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are availa

Tecnoglass Inc.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Interim Financial Statements

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of Tecnoglass Inc. and Subsidiaries

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and compr

As discussed in Note 2 to the consolidated financial statements, the 2014 financial statements have been restated to correct for

/s/ PricewaterhouseCoopers Ltda.

PricewaterhouseCoopers Ltda.
Barranquilla, Colombia
May 31, 2016

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Tecnoglass Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share and per share data)

ASSETS

Current assets:

Cash

Investments

Trade accounts receivable, net

Unbilled receivables on uncompleted contracts

Due from related parties

Other assets

Inventories

Prepaid expenses

Total current assets

Long term assets:

Property, plant and equipment, net

Long term receivables from related parties

Goodwill and Intangible assets

Deferred income taxes

Other long term assets

Total long term assets

Total assets

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities and shareholders' equity

Current liabilities

Short-term debt and current portion of long-term debt

Note payable to shareholder

Trade accounts payable

Due to related parties

Taxes payable

Deferred income taxes

Labor liabilities

Warrant liability

Earnout share liability

Current portion of customer advances on uncompleted contracts

Total current liabilities

Warrant liability

Earnout share liability

Customer advances on uncompleted contracts

Long-term debt

Total long term liabilities

Total liabilities

Commitments and contingencies

Shareholders' equity

Preferred shares, \$0.0001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding at December 31, 2015 and 20

Ordinary shares, \$0.0001 par value, 100,000,000 shares authorized, 26,895,636 and 24,801,132 shares issued and outstanding a

Legal reserves

Additional paid capital

Retained earnings

Accumulated other comprehensive income (loss)

Total shareholders' equity

Total liabilities and shareholders' equity

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

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Tecnoglass Inc. and Subsidiaries**Consolidated Statements of Operations and Comprehensive Income**
(In thousands, except share and per share data)

	Years ended December 31,	
	2015	2014
		(Restated)
Operating revenue:		
Customers	\$ 180,633	\$ 149,822
Related Parties	58,200	47,630
Total Operating Revenue	238,833	197,452
Cost of sales	153,252	131,156
Gross profit	85,581	66,296
Operating expenses:		
Selling	27,579	22,737
General and administration	18,920	16,327
Operating expenses	46,499	39,064
Operating income	39,082	27,232
Change in fair value of warrant liability	(24,901)	(1,711)
Change in fair value of earnout shares liability	(10,858)	(10,807)
Non-operating income, net	13,877	12,235
Interest expense	(9,274)	(8,900)
Income before taxes	7,926	18,049
Income tax provision	20,691	8,538
Net (loss) income	\$(12,765)	\$9,511
Comprehensive income:		
Net (loss) income	\$(12,765)	\$9,511
Foreign currency translation adjustments	(19,738)	(16,001)
Total comprehensive (loss) income	\$(32,503)	\$(6,490)
Basic income per share	\$(0.50)	\$0.39
Diluted income per share	\$(0.50)	\$0.34
Basic weighted average common shares outstanding	25,447,564	24,347,620
Diluted weighted average common shares outstanding	28,949,642	28,237,679

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

Tecnoglass Inc. and Subsidiaries**Consolidated Statements of Cash Flows
(In thousands)**

	Years Ended December 31,	
	2015	2014 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$(12,765)	\$9,511
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for bad debts	1,286	20
Provision for obsolete inventory	(255)	(1,036)
Change in fair value of investments held for trading	10	168
Depreciation and amortization	11,869	8,542
Loss on disposition of assets	232	1,300
Change in value of derivative liability	(69)	(25)
Change in fair value of earnout share liability	10,858	10,807
Change in fair value of warrant liability	24,901	1,711
Deferred income taxes	(119)	(915)
Changes in operating assets and liabilities, net of effects from acquisitions:		—
Trade Accounts Receivable	(22,376)	(5,002)
Deferred income taxes	—	466
Inventories	(27,820)	(10,696)
Prepaid expenses	(1,392)	(761)
Other assets	(11,644)	1,852
Trade accounts payable	15,734	11,846
Taxes payable	14,006	4,465
Labor liabilities	221	530
Related parties	(8,226)	(19,132)
Advances from customers	6,341	(18,461)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	792	(4,810)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,913	2,343
Proceeds from sale of property and equipment	4,470	3,609
Purchase of investments	(877)	(1,118)
Acquisition of property and equipment	(14,901)	(24,848)
Restricted cash	—	3,633
CASH USED IN INVESTING ACTIVITIES	(9,395)	(16,381)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt	112,805	87,109
Proceeds from the sale of common stock	—	1,000
Proceeds from the exercise of warrants	—	821
Repayments of debt and capital leases	(102,356)	(77,924)
Merger proceeds held in trust	—	22,519

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CASH PROVIDED BY FINANCING ACTIVITIES	10,449	33,525
Effect of exchange rate changes on cash and cash equivalents	720	730
NET INCREASE IN CASH	2,566	13,064
CASH – Beginning of year	15,930	2,866
CASH – End of year	\$18,496	\$ 15,930
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$6,916	\$ 7,451
Taxes	\$13,212	\$ 3,101
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Assets acquired under capital lease and financial obligations	\$65,319	\$ 27,778
Assets acquired with issuance of common stock	\$—	\$ 4,000

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

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Tecnoglass, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity
For the Years Ended December 31, 2015 and 2014
(In thousands, except share data)

	Ordinary Shares, \$0.0001 Par Value		Additional Paid in Capital	Legal Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount					
Balance at January 1, 2014 (Restated)	24,214,670	2	20,319	1,367	20,608	4,570	46,081
Issuance of common stock	483,892	—	5,000	—	—	—	5,000
Exercise of warrants	102,570	—	821	—	—	—	821
Foreign currency translation	—	—	—	—	—	(16,001)	(16,001)
Net income	—	—	—	—	9,511	—	9,511
Balance at December 31, 2014 (Restated)	24,801,132	2	26,140	1,367	30,119	(11,431)	46,081
Issuance of common stock	500,000	—	5,765	—	—	—	5,765
Exercise of warrants	1,001,848	1	13,679	—	—	—	13,680
Exercise of Unit Purchase Options	592,656	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	(19,738)	(19,738)
Net loss	—	—	—	—	(12,765)	—	(12,765)
Balance at December 31, 2015	26,895,636	3	45,584	1,367	17,354	(31,169)	33,715

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

Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

Note 1. General

Business Description

Tecnoglass Inc. (“TGI,” the “Company,” “we,” “us” or “our”) was incorporated in the Cayman Islands on September 21, 2011.

Andina’s objective was to acquire, through a merger, share exchange, asset acquisition, share purchase recapitalization, reorgan-

The Company manufactures hi-specification, architectural glass and windows for the global residential and commercial construction

TG manufactures both glass and aluminum products. Its glass products include tempered glass, laminated glass, thermo-acoustic

ES designs, manufactures, markets and installs architectural systems for high, medium and low rise construction, glass and aluminum

In 2014, the Company established two Florida limited liability companies, Tecnoglass LLC (“Tecno LLC”) and Tecnoglass RE

Basis of Presentation and Management’s Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally ac-

The preparation of the accompanying consolidated financial statements requires the Company to make estimates and judgements

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

Note 2. Restatements

Restatement

This Note 2 to the consolidated financial statements discloses the nature of the restatements and adjustments and shows the impact on the consolidated financial statements.

The annual impact on 2014 was a reduction in pre-tax income and net income of \$10,807 million.

Description of Restatement Matters and Restatement Adjustment

In preparing the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, the Company identified certain errors in the consolidated financial statements for the fiscal year ended December 31, 2014.

A description of each of the restatement adjustments is provided below:

(a) The Company entered into an Agreement and Plan of Reorganization (the "Merger Agreement") as of August 17, 2013. Pursuant to the Merger Agreement, the Company and its subsidiaries were merged with and into the Company.

Prior to December 31, 2015, the earnout shares were accounted for within equity at par value. In accordance with ASC 815 — Derivatives and Hedging, the Company determined that the earnout shares were not indexed to the Company's equity and therefore were not eligible for the equity method of accounting.

(b) Deferred tax assets and liabilities — The Company was presenting deferred tax assets and liabilities gross on the balance sh

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

Note 2. Restatements – (continued)

(c) Shipping and handling costs — For the year ended December 31, 2015, the Company records and presents shipping and handling costs as a component of operating expenses.

(d) Related party revenue — In accordance with Rule 4-08 (k) of Regulation S-X related party revenue should be presented in the consolidated financial statements.

(e) Cash flow from investing activities — Cash flows from the sale and purchase of investments were being netted within cash flows from operating activities.

(f) Earnings per share — For the year ended December 31, 2014, the company presented a diluted weighted average number of shares outstanding.

The following analysis includes the financial statements as originally reported and as adjusted and takes into account the following:

Consolidated Balance Sheets

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 2. Restatements – (continued)

Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 2. Restatements – (continued)

Consolidated Statement of Operations

Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 2. Restatements – (continued)

Consolidated Statement of Cash Flows

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 2. Restatements – (continued)

Note 3. Summary of significant accounting policies

Principles of Consolidation

These financial statements consolidate TGI, its indirect wholly-owned subsidiaries TG and ES, and its direct subsidiaries Tecno

Foreign Currency Translation and Transactions

The consolidated financial statements are presented in U.S. Dollars, the reporting currency. Our foreign subsidiaries' local currency

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 3. Summary of significant accounting policies – (continued)

Also, exchange gains and losses arising from transactions denominated in a currency other than the functional currency are included in the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include investments with original maturities of three months or less. As of December 31, 2015, cash and cash equivalents were \$100 million.

Investments

The Company's investments are comprised of marketable securities, short term deposits and income producing real estate.

Investments which are held for trading are recorded at fair value and fluctuations in value are recorded as a non-operating income or expense.

Short-term deposits and other financial instruments with maturities greater than 90 days and shares in other companies that do not have a readily determinable fair value are recorded at cost.

We also have investments in income-producing real estate. This real estate is recorded at cost and is depreciated using the straight-line method over its estimated useful life.

Trade Accounts Receivable

Trade accounts receivable are recorded net of allowances for cash discounts for prompt payment, doubtful accounts and sales returns.

Concentration of Risks and Uncertainties

Financial instruments which potentially subject the Company to credit risk consist primarily of cash and trade accounts receivable.

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 3. Summary of significant accounting policies – (continued)

Related party transactions

The Company has related party transactions such as sales, purchases, leases, guarantees, and other payments. We periodically p

Inventories

Inventories of raw materials, which consist primarily of purchased and processed glass, aluminum, parts and supplies held for u

Reserves for excess or slow-moving raw materials inventories are updated based on historical experience of a variety of factors

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Significant improvements and renewals that extend the useful life of the ass

The Company also records within fixed assets all the underlying assets of a capital lease. Initial recognition of these assets are c

Long Lived Assets

The Company periodically reviews the carrying values of its long lived assets when events or changes in circumstances would

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 3. Summary of significant accounting policies – (continued)

When circumstances indicate that an impairment may have occurred, the Company tests such assets for recoverability by comparing the carrying amount of the asset to its fair value.

Goodwill

We review goodwill for impairment each year on December 31st or more frequently when events or significant changes in circumstances indicate that an impairment may have occurred.

Intangible Assets

Intangible assets with definite lives subject to amortization are amortized on a straight-line basis. We also review these intangible assets for impairment.

Common Stock Purchase Warrants

The Company classifies as equity any warrants contracts that (i) require physical settlement or net-share settlement or (ii) give the holder the right to purchase shares of the Company.

The Company assesses classification of its common stock purchase warrants and other freestanding derivatives, if any, at each reporting date.

Financial Liabilities

Financial liabilities correspond to the financing obtained by the Company through bank credit facilities and accounts payable to suppliers.

Warrant liability

An aggregate 9,200,000 warrants were issued as a result of the Public Offering, the Private Placement and the Merger. Of the a

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

Note 3. Summary of significant accounting policies – (continued)

When the warrants are exercised for ordinary shares, the Company re-measures the fair value of the exercised warrants as of the

Following the SEC's Notice of Effectiveness dated June 16, 2014 of the Company's registration statement on Form S-1 that reg

Earnout shares liability

In accordance with *ASC 815 — Derivatives and hedging*, the earnout shares are not considered indexed to the Company's own

Unit Purchase Options

The Unit Purchase Options ("UPOs") are derivative contracts in the entity's own equity in accordance with guidance in *ASC 8*

The Company accounted for issued UPOs, at issuance date in March 2012, at their fair market value calculated using a Black-S

In November and December 2015, holders of UPOs exercised 803,468 unit options (one share and one warrant) and simultane

Stock-Based Compensation

We account for stock-based compensation in accordance with *ASC 718, Compensation — Stock Compensation*. *ASC 718* requ

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 3. Summary of significant accounting policies – (continued)

Derivative Financial Instruments

The Company records all derivatives on the balance sheet at fair value, regardless of the purpose or intent for holding them. The

Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy which requires us to maximize the use of observable in

The standard describes three level of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in ma

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the as

See Note 13 — Fair value measurements.

Revenue Recognition

Our principal sources of revenue are derived from product sales of manufactured glass and aluminum products. Revenue is rec

Revenues from fixed price contracts, which amount to approximately 22% of the Company's sales for the year ended Decembe

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 3. Summary of significant accounting policies – (continued)

Shipping and Handling Costs

The Company classifies amounts billed to customers related to shipping and handling as product revenues. The Company records

Sales Tax and Value Added Taxes

The Company accounts for sales taxes and value added taxes imposed on its goods and services on a net basis — value added taxes

Product Warranties

The Company offers product warranties in connection with the sale and installation of its products that are competitive in the market.

The Company evaluated historical information regarding claims for replacements under warranties and concluded that the costs of

Other Income (expenses)

The Company recognizes other income and expenses from gain and losses on change in fair value of warrant liability, gains and losses

Non-operating income (net) on our consolidated statement of operations amounted to \$13,877 and \$12,235, for the years ended

Advertising Costs

Advertising costs are expensed as they are incurred and are included in general and administrative expenses. Advertising costs

Employee Benefits

The Company provides benefits to its employees in accordance with Colombian labor laws. Employee benefits do not give rise

Income Taxes

The Company's operations in Colombia are subject to the taxing jurisdiction of the Republic of Colombia. Tecnoglass LLC and

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

Note 3. Summary of significant accounting policies – (continued)

The Company believes that its income tax positions and deductions would be sustained on audit and does not anticipate any adjustments.

The Company accounts for income taxes under the asset and liability model (ASC 740 “Income Taxes”) and recognizes deferred tax assets and liabilities.

The Company presents deferred tax assets and liabilities net as either an asset or liability, depending on the net deferred tax position.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements and prescribes the measurement of such tax assets and liabilities.

Earnings per Share

The Company computes basic earnings per share is computed by dividing net income by the weighted-average number of ordinary shares outstanding.

Recently Issued Accounting Pronouncements

In August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers — Deferral of the Effective Date.”

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” (ASU 2014-09). ASU 2014-09 prescribes the accounting for revenue from contracts with customers.

Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 3. Summary of significant accounting policies – (continued)

In September 25, 2015, the FASB issued ASU 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments”, t

On February 25, 2016, the FASB released ASU 2016-02, “Leases — ASC 842”, completing its project to overhaul lease accou

Note 4. Trade Accounts Receivable

Trade accounts receivable consists of the following:

The changes in allowances for doubtful accounts for the years ended December 31, 2015 and 2014 are as follows:

Note 5. Other Assets

Other assets consists of the following

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 6. Other Long Term Assets

Acquired assets pending purchase price allocation are assets acquired from Glasswall LLC in December of 2014. See Note 19 -

Note 7. Goodwill and Intangible Assets

Goodwill

The only goodwill the Company has on its balance sheet is in connection with the acquisition of Glasswall LLC. As of December

The Company has only one reporting unit and as such the impairment analysis was done by comparing the Company's market

During 2015 there was no impairments, foreign currency exchange movements, or acquisitions and as such the goodwill balance

Intangible Assets, Net

In connection to our acquisitions of RC Aluminum and Glasswall LLC, our intangible assets were recorded at their estimated fair value.

Intangible assets, net include the following Miami-Dade County Notices of Acceptances (NOA's):

The weighted average amortization period is 10 years.

During the twelve months ended December 31, 2015 and December 31 2014, the amortization expense amounted to \$1,063 and \$1,063, respectively.

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 7. Goodwill and Intangible Assets – (continued)

The estimated aggregate amortization expense for each of the five succeeding years as of December 31, 2015 is as follows:

Note 8. Inventories

Inventories are comprised of the following

Note 9. Property, Plant and Equipment

Property, plant and equipment is comprised of the following:

Depreciation expense was \$9,906 and \$7,531 for the years ended December 31, 2015 and 2014.

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 9. Property, Plant and Equipment – (continued)

Included within the table above are Property, plant and equipment under capital lease, which are comprised of the following:

For more information on capital lease obligations see note 10 — Debt. Differences between capital lease obligations and the va

The roll forward of Property, plant and equipment for the years ended December 31, 2015 and 2014 was as follows:

Reclassification to investment property corresponds to the reclassification to other long term assets for \$4,944 comprised of lan

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 10. Debt

The Company's debt is comprised of the following:

At December 31, 2015, the Company owed approximately \$138,414 under its various borrowing arrangements with several banks.

The mortgage loan with TD Bank secured by Tecno RE in December 2014 to finance the acquisition of real property in Miami.

The Company had \$8,524 and \$7,362 of property, plant and equipment as well as \$0 and \$435 of other long term assets pledged.

Net proceeds from debt were \$10,449 and \$9,185 during the years ended December 31, 2015 and 2014, consisting of \$112,805

On January 7, 2016, the Company entered into a \$109.5 million, seven-year senior secured credit facility. Proceeds from the new

Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 10. Debt – (continued)

Maturities of long term debt and other current borrowings are as follows as of December 31, 2015:

Revolving Lines of Credit

The Company has approximately \$7,264 in two lines of credit under a revolving note arrangement as of December 31, 2015. T

Capital Lease Obligations

The Company is obligated under various capital leases under which the aggregate present value of the minimum lease payment

The future minimum lease payments under all capital leases at December 31, 2015 are as follows:

Differences between capital lease obligations and the value of property, plant and equipment arise from differences in the matu

Interest expense for the year ended December 31, 2015 and 2014 was \$9,274 and \$8,900, respectively. During the year ended D

Note 11. Note Payable to Shareholder

From September 5, 2013 to November 7, 2013 A. Lorne Weil loaned the Company \$150 of which \$70 was paid at closing of th

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 12. Income Taxes

The Company files income tax returns for TG and ES in the Republic of Colombia where, as a general rule, taxable income for

On December 23, 2014, Colombia's president signed into effect a tax reform bill amending the Colombian Tax Statute fixing the

The following table summarizes income tax rates under the tax reform law.

The components of income tax expense (benefit) are as follows:

A reconciliation of the statutory tax rate in Colombia to the Company's effective tax rate is as follows:

The Company's effective tax rate of 261% and 47.3% for the year ended December 31, 2015 reflects non-deductible losses of S

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 12. Income Taxes – (continued)

The Company has the following net deferred tax assets and liabilities:

The Company does not have any uncertain tax positions for which it is reasonably possible that the total amount of gross unrec

Note 13. Fair Value Measurements

The Company accounts for financial assets and liabilities in accordance with accounting standards that define fair value and est

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 13. Fair Value Measurements – (continued)

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accou

Financial assets and liabilities measured at fair value on a recurring basis:

As of December 31, 2015, financial instruments carried at amortized cost that do not approximate fair value consist of long-term

The following table summarizes the fair value and carrying amounts of our long term debt:

Note 14. Related Parties

The Company's major related party entities disclosed in this footnote are: (i) ES Windows LLC ("ESW LLC"), a Florida LLC

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 14. Related Parties – (continued)

The following is a summary of assets, liabilities, and income and expense transactions with all related parties, shareholders, directors,

Sales to other related parties were less than \$0.1 million in the year ended December 31, 2015 and 2014.

Due from other related parties as of December 31, 2015 includes \$657 due from Daesmo, \$524 from Consorcio Ventanar ESW

Paid to other related parties during the year ended December 31, 2015 include charitable contributions to the Company's found

During 2015 and 2014, the Company and VS executed a short-term payment agreement and a three-year payment agreement th

In December 2014, ESW LLC, a related party, guaranteed a mortgage loan for \$3,920 for the acquisition of real properties in M

Analysis of variable interest entities

The Company conducted an evaluation of its involvement with all its significant related party business entities as of December

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 14. Related Parties – (continued)

The Company evaluated the purpose for which these entities were created and the nature of the risks in the entities as required by

From all the entities analyzed, only two entities, ESW LLC and VS, resulted in having variable interests. However, as of the date

The Company's analysis that was performed previously for the preparation of the financial statements as of December 31, 2014

Note 15. Derivative Financial Instruments

In 2012, the Company entered into three interest rate swaps (IRS) contracts as economic hedges against interest rate risk through

Note 16. Warrant Liability and Earnout Shares Liability

Warrant Liability

The fair value of the warrant liability was determined by the Company using the Binomial Lattice pricing model. This model is

* A quarterly dividend of \$0.125 per share commencing in the second quarter of 2016 was assumed.

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

Note 16. Warrant Liability and Earnout Shares Liability – (continued)

Changes in assumptions could have significant impact on the fair valuation attributed to the Company's warrants. When these a

The value of the redeemable warrants is sensitive to changes in the Company's common share price. An increase or decrease in

The value of the non-redeemable warrants is sensitive to changes in the Company's common share price. An increase or decrea

The table below provides a reconciliation of the beginning and ending balances for the warrant liability measured using signific

The Company's warrants are exercisable by the warrant holder in either of two modes: (i) by making a cash payment at the exe

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 16. Warrant Liability and Earnout Shares Liability – (continued)

When the warrants are exercised for ordinary shares, the Company re-measures the fair value of the exercised warrants as of the

Earnout Shares Liability

The fair value of the earnout shares liability is calculated using a Monte Carlo simulation, whereby future net revenue was simulated

* A quarterly dividend of \$0.125 per share commencing in the second quarter of 2016 was assumed.

The value of the earnout share liability is sensitive to changes in equity volatility and the forecasted EBITDA of the company.

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 16. Warrant Liability and Earnout Shares Liability – (continued)

The table below provides a reconciliation of the beginning and ending balances for the earnout shares liability measured using

The Company entered into an Agreement and Plan of Reorganization (the “Merger Agreement”) as of August 17, 2013. Pursua

If either the ordinary share target or the maximum EBITDA target is met in any fiscal year, Energy Holding Corp. receives the

Note 17. Commitments and Contingencies

Guarantees

Guarantees on behalf of or from related parties are disclosed in Note 14 — Related Parties.

Legal Matters

Tecnoglass S.A. and Tecnoglass USA, Inc., a related party, were named in a civil action for wrongful death, negligence and ne

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 17. Commitments and Contingencies – (continued)

Tecnoglass S.A. is also a named defendant in in the matter of Diplomat Properties, Limited Partnership as assignee of Shower t

C.I. Energia Solar S.A. filed a lawsuit against Bagatelos Arch Glass in Colombia for \$1,560 and in March 2, 2016 also filed a l

General Legal Matters

From time to time, the Company is involved in legal matters arising in the ordinary course of business. While management belie

Note 18. Shareholder's Equity

Preferred Shares

TGI is authorized to issue 1,000,000 preferred shares with a par value of \$0.0001 per share with such designation, rights and pr

As of December 31, 2015, there are no preferred shares issued or outstanding.

Ordinary Shares

The Company is authorized to issue 100,000,000 ordinary shares with a par value of \$0.0001 per share. As of December 31, 20

Legal Reserve

Colombian regulation requires that companies retain 10% of net income until it accumulates to least 50% of subscribed and paid

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 18. Shareholder's Equity – (continued)

Earnings per Share

The following table sets forth the computation of the basic and diluted earnings per share for the years ended December 31, 20

Calculation of earnings per share for the year ended December 31, 2015 excludes the effect of 3,502,079 dilutive securities bec

Restricted Securities

Energy Holding Corporation, the sole shareholder of Tecnoglass Holding whose shareholders are all of the former shareholders

Pursuant to the merger agreement and plan of reorganization and on filing of financial statements for the fiscal year ended Dec

If either the ordinary share target or the maximum EBITDA target is met in any fiscal year, Energy Holding Corp. receives the

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 18. Shareholder's Equity – (continued)

Long Term Incentive Compensation Plan

On December 20, 2013, our shareholders approved our 2013 Long-Term Equity Incentive Plan (“2013 Plan”). Under the 2013

Registration Statements and Company Securities

On February 11, 2014, the Registrant filed a registration statement on Form S-3 (Registration No. 333-193882), which was sub

The Company filed post-effective amendments to the registration statement on Form S-1 filed on Form S-3 pursuant to Section

The post effective amendments relate to up to 5,904,484 ordinary shares and 3,416,681 warrants of the Company which may be

The Company has not receive any proceeds from the sale of the securities in the registration statement, although the Company

On July 9, 2015, the Company filed an *Offer to Exchange Warrants to Acquire Ordinary Shares Of Tecnoglass Inc. for Ordina*

Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 18. Shareholder's Equity – (continued)

Issuance of Common Stock

In March 2014, the Company entered into an agreement with an affiliate of A Lorne Weil, the Company's Non-Executive Chair

Following the SEC's Notice of Effectiveness dated June 16, 2014 of the Company's registration statement on Form S-1 that reg

In December 2014, the Company entered into two asset purchase agreements with Glasswall LLC, a south Florida based manu

In April 2015, 500,000 shares were issued to Energy Holding Corporation, the sole shareholder of Tecnoglass Holding based o

From July 6, 2015 to December 31, 2015, 200,000 working capital warrants, 609,255 insider warrants and 1,516,669 warrants i

In November and December of 2015, the Company issued 592,656 shares in connection with the exercise of 803,462 unit purch

The issuances of stock in 2015 are summarized as follows:

As of March 28, 2016, the latest practicable date before these consolidated financial statements were available for publication,

Note 19. Business Combinations

In June 2014, we acquired selected assets of RC Aluminum Industries, Inc. (“RC Aluminum”) for \$1,900. RC Aluminum design

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 19. Business Combinations – (continued)

In December 2014, we acquired assets of Glasswall, LLC, a Miami, South Florida based manufacturer of impact-resistant wind

Total consideration consisted 388,199 ordinary shares for \$4,000 in our stock and \$5,301 million in cash financed in part by a 1

The following table summarizes the purchase price allocation of consideration transferred:

The excess of the consideration transferred over the estimated fair values of assets acquired and liabilities assumed was recorded

Note 20. Segment and Geographic Information

The Company has one operating segment, Architectural Glass and Windows, which is also its reporting segment, comprising th

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 20. Segment and Geographic Information – (continued)

In reviewing the Company's segmentation, the Company followed guidance under ASC 280-10-50-1 which states that "an oper

The following tables present geographical information about external customers and revenues from external customer by produ

Excluding related parties, only one customer accounted for more than 10% or more of our net sales, amounting to 32.0 million

Note 21. Operating Expenses

Selling expenses for the years ended December 31, 2015 and 2014 were comprised of the following:

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Tecnoglass Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share data)

Note 21. Operating Expenses – (continued)

General and administrative expenses for the years ended December 31, 2015 and 2014 were comprised of the following:

Note 22. Non-Operating Income, net

Non-operating income (net) on our consolidated statement of operations amounted to \$13,877 and \$12,235, for the years ended

Note 23. Subsequent Events

On January 6, 2016, the Company's shares commenced trading on the Bolsa de Valores de Colombia ("BVC"), the principal st

On January 7, 2016, the Company entered into a \$109.5 million, seven-year senior secured credit facility. Proceeds from the ne

On March 11, 2016, the Company filed a second amendment to its Registration Statement on Form S-4 with the Securities and

Note 23. Subsequent Events – (continued)

During March, 2016, the Company entered into a credit facility, denominated in Colombian Pesos, for an equivalent amount of

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Tecnoglass Inc. and Subsidiaries

Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)
(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents

Investments

Trade accounts receivable, net

Due from related parties

Inventories

Other current assets

Total current assets

Long term assets:

Property, plant and equipment, net

Long term receivables from related parties

Other long term assets

Total long term assets

Total assets

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Short-term debt and current portion of long term debt

Note payable to shareholder

Trade accounts payable

Due to related parties

Current portion of customer advances on uncompleted contracts

Earnout Share Liability

Warrant liability

Other current liabilities

Total current liabilities

Long term liabilities:

Earnout Share Liability

Customer advances on uncompleted contracts

Long term debt

Total Long Term Liabilities

Total liabilities

COMMITMENTS AND CONTINGENCIES

Shareholders' equity

Preferred shares, \$0.0001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding at June 30, 2016 and December 31, 2015

Ordinary shares, \$0.0001 par value, 100,000,000 shares authorized, 27,916,071 and 26,895,636 shares issued and outstanding at June 30, 2016 and December 31, 2015

Legal Reserves
Additional paid-in capital
Retained earnings
Accumulated other comprehensive (loss)
Total shareholders' equity
Total liabilities and shareholders' equity

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

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Tecnoglass Inc. and Subsidiaries**Condensed Consolidated Statements of Operations and Other Comprehensive Income
(In thousands, except share and per share data)
(Unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Operating revenues:				
External customers	\$63,408	\$45,830	\$109,671	\$83,930
Related parties	14,105	12,223	28,745	26,166
Total operating revenues	77,513	58,053	138,416	110,096
Cost of sales	51,048	37,179	88,742	70,612
Gross Profit	26,465	20,874	49,674	39,484
Operating expenses	(13,996)	(11,566)	(25,713)	(22,174)
Operating income	12,469	9,308	23,961	17,310
Gain (Loss) on change in fair value of earnout shares liability	3,330	(9,653)	7,034	(7,672)
Gain (Loss) on change in fair value of warrant liability	6,687	(16,391)	12,598	(11,313)
Non-operating income (loss), net	(56)	1,417	(732)	5,142
Interest expense	(4,242)	(2,050)	(7,366)	(4,202)
Income (Loss) before taxes	18,188	(17,369)	35,495	(735)
Income tax provision	3,815	3,631	7,458	8,403
Net income (loss)	\$14,373	\$(21,000)	\$28,037	\$(9,138)
Comprehensive income (loss):				
Net income (loss)	\$14,373	\$(21,000)	\$28,037	\$(9,138)
Foreign currency translation adjustments	3,489	(410)	5,231	(5,577)
Total comprehensive income (loss)	\$17,862	\$(21,410)	\$33,268	\$(14,715)
Basic income (loss) per share	\$0.53	\$(0.84)	\$1.04	\$(0.37)
Diluted income (loss) per share	\$0.47	\$(0.84)	\$0.91	\$(0.37)
Basic weighted average common shares outstanding	27,234,664	25,147,286	27,071,931	24,975,165

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Diluted weighted average common shares outstanding	30,744,863	25,147,286	30,757,310	24,975,165
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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Tecnoglass Inc. and Subsidiaries**Condensed Consolidated Statements of Cash Flows**
(Amounts in thousands)
(Unaudited)

	Six Months Ended	
	June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$28,037	\$(9,138)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for bad debt	-	428
Provision for obsolete inventories	-	(281)
Director share-based compensation	166	-
Depreciation and amortization	6,920	5,246
Change in fair value of investments	(27)	-
Change in fair value of derivative liability	(19)	(42)
Change in fair value of warrant liability	(12,598)	11,313
Change in fair value of earnout share liability	(7,034)	7,672
Deferred income taxes	(204)	(854)
Changes in operating assets and liabilities:		
Trade accounts receivable	(15,087)	(12,894)
Inventories	(8,887)	(13,721)
Prepaid expenses and other current assets	816	198
Other assets	(5,546)	(4,297)
Trade accounts payable	16,043	12,685
Customer advances on uncompleted contracts	373	8,254
Related parties	(4,839)	(2,740)
Other current liabilities	(5,487)	5,418
CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(7,373)	7,247
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	417	435
Proceeds from sale of property and equipment	-	34
Purchase of investments	(22,765)	(1,148)
Acquisition of property and equipment	(5,113)	(15,188)
CASH USED IN INVESTING ACTIVITIES	(27,461)	(15,867)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt	156,200	57,462
Repayments of debt	(109,993)	(49,093)
CASH PROVIDED BY FINANCING ACTIVITIES	46,207	8,369

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Effect of exchange rate changes on cash and cash equivalents	(334)	339
NET INCREASE IN CASH	11,039		88
Cash and equivalents - Beginning of period	18,496		15,930
Cash and equivalents - End of period	\$29,535		\$16,018
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the period for:			
Interest	\$4,063		\$3,239
Taxes	\$13,677		\$7,188
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets acquired under capital lease and debt	\$11,438		\$20,180

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

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Tecnoglass Inc. and Subsidiaries**Condensed Consolidated Statements of Shareholders' Equity****For the six months ended June 30, 2016****(In thousands, except share data)****(Unaudited)**

	Ordinary Shares, \$0.0001 Par Value Shares	Amount	Additional Paid in Capital	Legal Reserve	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2015	26,895,636	3	45,583	1,367	17,354	(31,169)	33,139
Issuance of common stock	1,000,000	-	11,690	-	-	-	11,690
Exercise of warrants	20,435	-	238	-	-	-	238
Exercise of Unit Purchase Options	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	-	-	5,231	5,231
Net income	-	-	-	-	28,037	-	28,037
Balance at June 30, 2016	27,916,071	3	57,511	1,367	45,391	(25,938)	78,334

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

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Tecnoglass Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

(Unaudited)

Note 1. General

Business Description

Tecnoglass Inc. (“TGI,” the “Company,” “we,” “us” or “our”) was incorporated in the Cayman Islands on September 21, 2011

The Company manufactures hi-specification, architectural glass and windows for the global residential and commercial construction

TG manufactures both glass and aluminum products. Its glass products include tempered glass, laminated glass, thermo-acoustic

ES designs, manufactures, markets and installs architectural systems for high, medium and low-rise construction, glass and aluminum

In 2014, the Company established two Florida limited liability companies, Tecnoglass LLC (“Tecno LLC”) and Tecnoglass RE

Basis of Presentation and Use of Estimates

The accompanying unaudited, condensed consolidated financial statements have been prepared in accordance with accounting

These unaudited condensed consolidated financial statements include the consolidated results of TGI, its indirect wholly owned

The preparation of these unaudited, condensed consolidated financial statements requires the Company to make estimates and j

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Note 2. Summary of significant accounting policies

Foreign Currency Translation

The condensed consolidated financial statements are presented in U.S. Dollars, the reporting currency. Our foreign subsidiaries

Also, exchange gains and losses arising from transactions denominated in a currency other than the functional currency are incl

Revenue Recognition

Our principal sources of revenue are derived from product sales of manufactured glass and aluminum products. Revenue is rec

Revenues from fixed price contracts, which amount to approximately 16% and 20% of the Company's sales for the six months

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Significant improvements and renewals that extend the useful life of the ass

Buildings	20 years
Machinery and equipment	10 years
Furniture and fixtures	10 years
Office equipment and software	5 years
Vehicles	5 years

Earnout shares liability

In accordance with ASC 815 - Derivatives and hedging, the Company's EBITDA/Ordinary Share Price Shares ("Earnout Share

When the earnout shares are released from the escrow account upon achievement of the conditions set forth in the earnout share

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Warrant liability

The Company accounts for the warrants against its ordinary shares as a derivative liability. The Company classifies the warrant

The Company determines the fair value of warrant liability at each reporting period using the Binomial Lattice options pricing

When the warrants are exercised for ordinary shares, the Company remeasures the fair value of the exercised warrants as of the

Income Taxes

The Company's operations in Colombia are subject to the taxing jurisdiction of the Republic of Colombia. Tecnoglass LLC and

The Company recognizes deferred tax assets and liabilities for the expected impact of differences between the financial statements

The Company believes that its income tax positions and deductions used in its tax filings would be sustained on audit and does

Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of ordinary shares outstanding d

The following table sets forth the computation of the basic and diluted earnings per share for the three and six-month periods e

	Three months ended June 30, 2016	2015	Six 20
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Net Income (Loss)	\$14,373	\$(21,000)) \$2
Denominator			
Denominator for basic earnings per ordinary share - weighted average shares outstanding	27,234,664	25,147,286	2
Effect of dilutive warrants and earnout shares	3,510,199	-	3
Denominator for diluted earnings per ordinary share - weighted average shares outstanding	30,744,863	25,147,286	3
Basic earnings per ordinary share	\$0.53	\$(0.84)) \$1
Diluted earnings per ordinary share	\$0.47	\$(0.84)) \$0

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Product Warranties

The Company offers product warranties in connection with the sale and installation of its products that are competitive in the market.

Non-Operating Income, net

The Company recognizes non-operating income from foreign currency transaction gains and losses, interest income on receivables, and other non-operating income.

Shipping and Handling Costs

The Company classifies amounts billed to customers related to shipping and handling as product revenues. The Company records shipping and handling costs as operating expenses.

Recently Issued Accounting Pronouncements

In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers - Deferral of the Effective Date." The Company has not adopted this ASU as of the reporting date.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09). ASU 2014-09 provides guidance on the recognition, measurement, and disclosure of revenue from contracts with customers. The Company has adopted this ASU as of the reporting date.

In September 25, 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments", to simplify the accounting for measurement-period adjustments. The Company has not adopted this ASU as of the reporting date.

On February 25, 2016, the FASB released ASU 2016-02, "Leases - ASC 842", completing its project to overhaul lease accounting. The Company has not adopted this ASU as of the reporting date.

Note 3. - Investments

The Company's investments are comprised of marketable securities and short term deposits amounting to \$26,860 and \$1,470 and

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Note 4. - Inventories, net

Inventories are comprised of the following:

	June 30, 2016	December 31, 2015
Raw materials	\$45,332	\$ 36,254
Work in process	6,223	3,451
Finished goods	3,188	2,875
Stores and spares	4,319	3,190
Packing material	234	241
	\$59,296	\$ 46,011

Note 5. Other Current Assets and Other Long Term Assets

Other current assets are comprised of the following:

	June 30, 2016	December 31, 2015
Unbilled receivables on uncompleted contracts	\$10,953	\$ 9,868
Prepaid Expenses	971	3,152
Prepaid Taxes	11,594	6,069
Advances and other receivables	1,918	1,725
Other current assets	\$25,436	\$ 20,814

Other long term assets are comprised of the following:

	June 30, 2016	December 31, 2015
Intangible assets	\$1,625	\$ 1,920
Goodwill	1,330	1,330
Deferred income taxes	384	640
Income producing real estate investments	7,162	6,420
Other assets	500	-
Other long term assets	\$11,001	\$ 10,310

Intangible assets are comprised of Miami-Dade County Notices of Acceptance (“NOAs”). The weighted average amortization p

Note 6. Property, Plant and Equipment, Net

Property, plant and equipment consist of the following:

	June 30, 2016	December 31, 2015
Building	\$50,405	\$41,804
Machinery and equipment	123,286	105,000
Office equipment and software	4,489	3,528
Vehicles	1,693	1,402
Furniture and fixtures	2,119	1,569
Total property, plant and equipment	181,992	153,303
Accumulated depreciation and amortization	(42,608)	(33,018)
Net value of property and equipment	139,384	120,285
Land	18,038	15,689
Total property, plant and equipment, net	\$157,422	\$135,974

Depreciation and amortization expense, inclusive of capital lease amortization, for the three and six month periods ended June

Note 7. Debt

At June 30, 2016, the Company owed \$210,886 under its various borrowing arrangements with several banks in Colombia, Pan

Tecnoglass’ wholly owned subsidiary, Tecno RE (“the Obligor”), obtained a \$3,920 loan in December 2014 from TD Bank N.

The Company's debt is comprised of the following:

	June 30, 2016	December 31, 2015
Revolving lines of credit	\$ 11,229	\$ 4,640
Loans	173,610	107,692
Capital Lease	26,047	26,082
Obligations under borrowing arrangements	210,886	138,414
Less: Current portion of long-term debt and other current borrowings	69,961	16,921
Long-term debt	\$ 140,925	\$ 121,493

Maturities of long term debt and other current borrowings are as follows as of June 30, 2016:

2017	\$69,961
2018	11,819
2019	13,352
2020	19,758
2021	27,318
Thereafter	68,678
Total	\$210,886

The Company had \$13,609 and \$8,524 of property, plant and equipment pledged to secure \$ 96,742 and \$48,056 under various

On January 7, 2016, the Company entered into a \$109.5 million, seven-year senior secured credit facility. Proceeds from the ne

In February 2016, the Company entered into a Colombian Peso denominated credit facility for an equivalent amount of \$25 mi

Revolving Lines of Credit

The Company has approximately \$2,488 available in two lines of credit under a revolving note arrangement as of June 30, 201

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Proceeds from debt and repayments of debt for the six months ended June 30, 2016 and 2015 are as follows:

	June 30,	
	2016	2015
Proceeds from debt	\$ 156,200	\$ 57,462
Repayments of debt	\$(109,993)	\$(49,093)

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Capital lease obligations

The Company acquired assets under capital leases and debt during the six months ended June 30, 2016 and 2015 for \$11,438 and \$11,438, respectively.

The future minimum lease payments under all capital leases at June 30, 2016 are as follows:

2017	3,180
2018	2,673
2019	3,457
2020	4,082
2021	4,303
Thereafter	8,352
Total	26,047

Interest expense for the six-month periods ended June 30, 2016 and 2015 was \$7,366 and \$4,202, respectively.

Note 8. Income Taxes

The Company files income tax returns for TG and ES in the Republic of Colombia. Colombia's Tax Statute was reformed in December 2015.

The following table summarizes income tax rates under the tax reform law:

	2015	2016	2017	2018	2019
Income Tax	25 %	25 %	25 %	25 %	25 %
CREE Tax	9 %	9 %	9 %	9 %	9 %
CREE Surtax	5 %	6 %	8 %	9 %	-
Total Tax on Income	39 %	40 %	42 %	43 %	34 %

The components of income tax expense (benefit) are as follows:

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	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Current income tax				
Foreign	\$4,406	\$4,328	\$7,662	\$9,257
Deferred income tax				
Foreign	(591)	(697)	(204)	(854)
Total Provision for Income tax	\$3,815	\$3,631	\$7,458	\$8,403
Effective tax rate	21.0 %	-20.9 %	21.0 %	-1,143.3 %

The Company's effective tax rates for the three-month periods ended June 30, 2016 and 2015 reflect the non-cash, non-deductible

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Change in fair value of warrant liability	\$6,687	\$(16,391)	\$12,598	\$(11,313)
Change in fair value of earnout shares liability	3,330	(9,653)	7,034	(7,672)
Total non-cash, nontaxable effects of changes in fair value of liabilities	\$10,017	\$(26,044)	\$19,632	\$(18,985)

In addition, the Company's statutory tax rate increased from 39% in 2015 to 40% in 2016 because of the tax reform mentioned

Note 9. Fair Value Measurements

The Company accounts for financial assets and liabilities in accordance with accounting standards that define fair value and est

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Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2016:

	Quotes Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrant Liability	-	-	18,378
Earnout shares liability	-	-	15,429
Interest Rate Swap Derivative Liability	-	25	-
Marketable Equity Securities	498	-	-
Short term investments		25,000	-

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2015:

	Quotes Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrant Liability	-	-	31,213
Earnout shares liability	-	-	34,154
Interest Rate Swap Derivative Liability	-	42	-
Marketable Equity Securities	428	-	-

As of December 31, 2015, financial instruments carried at amortized cost that do not approximate fair value consist of long-term

The following table summarizes the fair value and carrying amounts of our long term debt:

	June 30, 2016	December 31, 2015
Fair Value	\$ 160,902	\$ 138,347
Gross Carrying Value	143,344	121,493

Deferred financing expense	(2,419)	-
Net Carrying Value	\$140,925	\$121,493

Note 10. Segment and Geographic Information

The Company operates a single reportable segment business for product consisting of four geographical sales territories as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Colombia	\$28,300	\$21,869	\$46,878	\$39,251
United States	45,474	33,344	82,640	65,022
Panama	1,511	1,355	4,425	2,823
Other	2,228	1,485	4,473	3,000
Total Revenues	\$77,513	\$58,053	\$138,416	\$110,096

Note 11. Earnout Share Liability

The earnout shares liability is subject to re-measurement at each balance sheet date until the shares are released or until the expiration of the earnout period.

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The Company determines the fair value of the earnout share liability using a Monte Carlo simulation, which models future EBITDA

Out of the 3,000,000 earnout shares initially placed in escrow, 500,000 shares were released in April of 2015 upon achievement of

The table below provides a reconciliation of the beginning and ending balances for the earnout shares liability measured using

Balance – December 31, 2015	\$34,154
Fair value adjustment - three months ended March 31, 2016	(3,704)
Balance – March 31, 2016	30,450
Fair value adjustment of released earn out shares - three months ended June 30, 2016	(11,691)
Fair value adjustment of outstanding earn out shares - three months ended June 30, 2016	(3,330)
Balance – June 30, 2016	\$15,429

The main variable that affected the change in fair value of the earnout share liability was the stock price which declined from \$

Note 12. Warrant Liability

The fair value of the warrant liability was determined by the Company using the Binomial Lattice pricing model. This model is

The inputs to the model were as follows:

	June 30, 2016	December 31, 2015		
Stock Price	\$11.31	\$ 13.74		
Dividend Yield*	\$0.125	\$ 0.125		
Risk-free rate	0.49 %	0.65 %		
Expected Term	0.47	0.97		
Expected Volatility	35.68 %	37.69 %		

*A quarterly dividend of \$0.125 per share commencing in the third quarter of 2016 was assumed.

The table below provides a reconciliation of the beginning and ending balances for the warrant liability measured using significant

Balance – December 31, 2015	\$31,213
Adjustment to fair value of warrants exercised cashlessly	(222)
Adjustment to fair value of unexercised warrants	(5,911)
Balance – March 31, 2016	25,080
Adjustment to fair value of warrants exercised cashlessly	(15)
Adjustment to fair value of unexercised warrants	(6,687)
Balance – June 30, 2016	\$18,378

The main variable that affected the change in fair value of the warrant liability was the stock price which declined from \$13.74

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The Company's equity warrants are exercisable by the warrant holder in either of two modes: (i) by making a cash payment at

When the warrants are exercised for ordinary shares, the Company re-measures the fair value of the exercised warrants as of the

Of 2,483,839 aggregate warrants exercised since the merger in December 2013, warrant holders exercised 102,570 warrants for

Note 13. Related Parties

The Company's major related party entities are: ES Windows LLC ("ESW LLC"), a Florida limited liability company partially

The following is a summary of assets, liabilities, and income and expense transactions with all related parties, shareholders, directors

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Revenues				
Sales to ESW LLC	\$12,645	\$11,027	\$24,314	\$22,898
Sales to VS	1,257	1,553	3,946	2,599
Sales to other related parties	203	(357)	485	669
	14,105	12,223	28,745	26,166

Expenses				
Fees paid to directors and officers	\$477	\$388	\$836	\$777
Payments to other related parties	720	396	1,433	865

	June 30, 2016	December 31, 2015
Current Assets		
Due from ESW LLC	\$24,778	\$17,887
Due from VS	8,913	6,895
Due from other related parties	3,262	3,291
	\$36,953	\$28,073

Long term payment agreement from VS	\$1,688	\$2,536
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Liabilities

Due to related parties	\$1,991	\$ 1,283
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Due from other related parties as of June 30, 2016 includes \$568 due from Daesmo, and \$503 from Consorcio Ventanar ESW -

Payments to other related parties during the six-month period ended June 30, 2016 include charitable contributions to the Comp

During 2015 and 2014, the Company and VS executed a short-term payment agreement and a three-year payment agreement th

In December 2014, ESW LLC, a related party, guaranteed a mortgage loan for \$3,920 for the acquisition of real properties in M

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Analysis of Variable Interest Entities

The Company conducted an evaluation as a reporting entity of its involvement with certain significant related party business entities.

From all the entities analyzed, only two entities, ESW LLC and VS, resulted in having variable interests. However, as of the date of the filing, no variable interests were identified.

Note 14. Note Payable to Shareholder

From September 5, 2013 to November 7, 2013, A. Lorne Weil loaned the Company \$150 of which \$70 was paid at closing of the period.

Note 15. Derivative Financial Instruments

In 2012, the Company entered into two interest rate swap contracts as economic hedges against interest rate risk through 2017.

Note 16. Commitments and Contingencies

Guarantees

Guarantees on behalf of, or from related parties are disclosed in Note 13 - Related Parties.

Legal Matters

C.I. Energia Solar S.A. filed a lawsuit against Bagatelos Arch Glass in Colombia in March 2, 2016 and also filed a lawsuit against

General Legal Matters

From time to time, the Company is involved in legal matters arising in the ordinary course of business. While management believes

Note 17. Subsequent Events

In the first week of July 2016, the Company paid \$10.5 million to acquire a lot adjacent to the Company's facilities to expand t

As the currency rates have stabilized over the last months, the Company's fluctuations in its FX gains and losses account have

On August 4, 2016, the Board of Directors declared a \$0.50 annual dividend per share payable on a quarterly basis in cash or st

Management concluded that no additional subsequent events required disclosure other than those disclosed in these financial st

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TECNOGLASS INC.

21,391,270 Ordinary Shares

PROSPECTUS

, 2016

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the estimated expenses (other than underwriting discounts and commissions), all of which will be

Securities and Exchange Commission registration fee	\$26,000
Legal fees and expenses	25,000
Accounting fees and expenses	5,000
Miscellaneous	4,000
Total	\$60,000

Item 14. Indemnification of Directors and Officers

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for in

Item 15. Recent Sales of Unregistered Securities

On December 19, 2013, the Company entered into subscription agreements with two investors pursuant to which such investors

As consideration for the merger, the Company issued 20,567,141 ordinary shares to Energy Holding Corporation, the sole share

On March 5, 2014, the Company entered into a subscription agreement with an affiliate of A. Lorne Weil, pursuant to which su

No underwriting discounts or commissions were paid with respect to such sales.

Item 16. Exhibits and Financial Statement Schedules

Reference is hereby made to the attached Exhibit Index, which is incorporated herein by reference. There are no financial statements included in this registration statement.

Item 17. Undertakings

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Act");

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(ii) to reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent

(iii) to include any material information with respect to the plan of distribution not previously disclosed in this registration statement

provided, however, that subparagraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) do not apply if the information required to be included

(2) That, for the purpose of determining any liability under the Act, each such post-effective amendment shall be deemed to be

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain un

(4) That, for the purpose of determining liability under the Act to any purchaser:

(i) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement a

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance

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- (5) That, for the purpose of determining liability of the registrant under the Act to any purchaser in the initial distribution of the offering, the undersigned registrant hereby undertakes that:
- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to the Act;
 - (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
 - (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or the offering;
 - (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.
- (b) The undersigned registrant hereby undertakes that, for the purpose of determining any liability under the Act, each filing of the offering made by the undersigned registrant shall be deemed to constitute a true and accurate statement of the material facts relating to the offering.
- (c) Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the undersigned registrant, it shall be limited to the extent that such persons are not held liable by the Commission under the Act.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that

TECNOGLASS INC.

By: */s/ Joaquin Fernandez*
Name: Joaquin Fernandez
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned officers and directors of Tecnoglass Inc. hereby severally

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following

SIGNATURE	TITLE	DATE
<i>/s/ Jose M. Daes</i> Jose M. Daes	Chief Executive Officer (Principal Executive Officer) and Director	September 21, 2016
<i>/s/ Joaquin Fernandez</i> Joaquin Fernandez	Chief Financial Officer (Principal Financial and Accounting Officer)	September 21, 2016
<i>/s/ Christian Daes</i> Christian Daes	Chief Operating Officer and Director	September 21, 2016
<i>/s/ Martha L. Byorum</i> Martha L. Byorum	Director	September 21, 2016
<i>/s/ A. Lorne Weil</i> A. Lorne Weil	Director	September 21, 2016
<i>/s/ Julio A. Torres</i> Julio A. Torres	Director	September 21, 2016

/s/ Samuel R. Azout Director
Samuel R. Azout

September 21, 2016

/s/ Juan Carlos Vilarino Director
Juan Carlos Vilarino

September 21, 2016

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Reorganization dated as of August 17, 2013 and as amended November 6, 2013, by and among
3.1	Third Amended and Restated Memorandum and Articles of Association.
4.1	Specimen Ordinary Share Certificate.
4.2	Specimen Warrant Certificate.
4.3	Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant.
4.4	Form of First Unit Purchase Option issued to EarlyBirdCapital, Inc. and its designees
4.5	Form of Second Unit Purchase Option issued to EarlyBirdCapital, Inc. and its designees
5.1	Opinion of Maples & Calder
10.1	Form of Escrow Agreement between the Company, Continental Stock Transfer & Trust Company and the Initial Share
10.2	Amended and Restated Registration Rights Agreement among the Company, the Initial Shareholders and Energy Hold
10.3	Form of Subscription Agreements among the Company, Graubard Miller and the Purchasers of Private Placement Wa
10.4	Promissory Note issued to A. Lorne Weil 2006 Irrevocable Trust — Family Investment Trust
10.5	Indemnity Escrow Agreement dated as of December 20, 2013, by and among the Company, Representative, Committe
10.6	Additional Shares Escrow Agreement dated as of December 20, 2013, by and among the Company, Representative, C
10.7	Form of Lock-Up Agreement between the Company and Energy Holding Corporation
10.8	Form of Subscription Agreement
10.9	Form of Warrant/UPO Transfer Agreement

Exhibit No.	Description	Included	For
10.10	Advisory Services Agreement between the Company and Morgan Joseph TriArtisan LLC	By Reference	10-K
10.11	2013 Long-Term Incentive Equity Plan	By Reference	Sched 14C
10.12	Form of Indemnification Agreement	By Reference	8-K
21	List of Subsidiaries	By Reference	10-K
23.1	Consent of Maples & Calder	*	S-1
23.2	Consent of PricewaterhouseCoopers Ltda.	Herewith	
24.1	Power of Attorney (included on signature page of this Post-Effective Amendment to Form S-1)	Herewith	

*To be filed by amendment.

