

CINCINNATI FINANCIAL CORP
Form S-3/A
March 15, 2011

As filed with the Securities and Exchange Commission on March 15, 2011.

Registration No. 333-155373

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

POST-EFFECTIVE AMENDMENT NO. 1

TO

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CINCINNATI FINANCIAL CORPORATION

(Exact name of registrant in its charter)

Ohio

31-0746871

(State or other jurisdiction of

(I.R.S. Employer identification number)

incorporation or organization)

Cincinnati Financial Corporation

6200 S. Gilmore Road

Fairfield, Ohio 45014

(Address, including zip code and telephone number, including area code, of registrant's principal executive offices.)

Steven J. Johnston

Chief Financial Officer, Secretary and Treasurer

Cincinnati Financial Corporation

6200 S. Gilmore Road

Fairfield, Ohio 45014

(address, including zip code, and telephone number, including area code, of agent for service)

Agent's telephone number, including area code: (513) 870-2639

Copies to:

Lisa A. Love, Esq.

Senior Counsel and Manager, Legal
Department

Cincinnati Financial Corporation

6200 S. Gilmore Road

Fairfield, Ohio 45014

513-870-2288

Charles F. Hertlein, Jr.

Dinsmore & Shohl LLP

255 East Fifth Street, Suite 1900

Cincinnati, Ohio 45202

513-977-8200

Approximate date of commencement of proposed sale to the public:

From time to time after the effective date of this Registration Statement

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

Edgar Filing: CINCINNATI FINANCIAL CORP - Form S-3/A

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plan, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

CALCULATION OF REGISTRATION FEE

<R>

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share ⁽¹⁾	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common stock, par value \$2 per share	7,000,000	\$23.69	\$165,830,000	\$9,263 ⁽²⁾

(1) Estimated solely for the purposes of computing the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended. Such price per share is the average of the high and low prices for the registrant's common stock on the Nasdaq National Market on November 12, 2008, a date which is within five days of the date this Registration Statement was filed.

(2) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such dates as the Commission, acting pursuant to said section 8(a), may determine.

</R>

<R>

PROSPECTUS

Cincinnati Financial Corporation

Shareholder Investment Plan

The Shareholder Investment Plan (plan) of Cincinnati Financial Corporation (the company) is a Direct Purchase Plan that provides participants with a convenient and economical method for new investors to make an initial investment in shares of the company's common stock and for existing investors to increase their holdings of our common stock.

In order to ensure that the plan conforms to certain changes to reporting requirements for the Internal Revenue Service, the company has amended the plan to require that, effective, January 1, 2011, any participant in the plan, whether through the direct purchase option or the dividend reinvestment option, reinvest at least 10 percent of every dividend paid on any share of stock that is part of the plan in common shares of the company.

Subject to a holder's agreeing to reinvest at least 10 percent of every dividend received as stated in the paragraph above, participation in the plan is open to any registered holder of common stock and to any person who becomes a registered holder of common stock by enrolling in the plan and either making an initial investment of at least \$25 or authorizing automatic monthly cash investments of at least \$25. Beneficial owners of common stock whose only shares are registered in names other than their own (for example, held in street name in a brokerage account) are not eligible until they become stockholders of record either by withdrawing the shares from their brokerage account and registering the shares in their own name or by enrolling in the plan in the same manner as a non-stockholder.

Participants in the plan must elect to have at least 10 percent of the cash dividends paid on their shares of common stock automatically reinvested in additional shares of common stock, and may elect to have up to 100 percent of such dividends reinvested. Participants may also purchase additional shares of common stock by making optional cash investments according to the provisions of the plan. Shareholders who choose not to participate in the plan will continue to receive cash dividends on shares of common stock registered in their name, as declared, by check or direct deposit.

In the event that any shareholder who previously participated in the plan elects not to reinvest the required 10 percent of dividends received on stock subject to the plan within 60 days of the effective date of this Prospectus will not be entitled to participate in the plan thereafter and shares will be moved out of the plan to a book entry position. Any fractional shares will be sold.

Shares of common stock purchased by participants in the plan may be treasury or new issue common stock or, at the company's option, common stock may be purchased in the open market or in negotiated transactions. Treasury or new

issue common stock is purchased from the company at the market price on the applicable investment date. The price of common stock purchased in the open market or in negotiated transactions is the weighted average price at which the shares are actually purchased. This prospectus relates to 7,000,000 shares of common stock. The common stock is listed on the NASDAQ Global Select Market under the ticker symbol CINF.

A complete description of the plan begins on page 5 of this prospectus.

This prospectus includes business and financial information about the company that is not included in or delivered with this prospectus. This information is available to you without charge upon written or oral request. See Where you can find more information.

Investing in our common stock involves risks. See Risk Factors beginning on page 3 of this prospectus before participating in the Cincinnati Financial Corporation Shareholder Investment Plan.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 15, 2011.

</R>

Table of Contents

About This Prospectus

2

About Cincinnati Financial Corporation

2

Risk Factors

3

Safe Harbor Statement

3

Direct Registration

5

About The Plan

5

Other Plan Information

14

Stock Dividends and Stock Splits

14

Dividend and Voting Rights

14

Voting of Plan Shares

14

Limitation of Liability

14

Modification or Termination of the Plan

15

Denial or Termination of Participation by Cincinnati Financial

15

Where You Can Find More Information

15

Registration Statement

15

Cincinnati Financial's SEC Filings

15

Information Incorporated by Reference

16

Documents Available Without Charge From Cincinnati Financial

16

Use Of Proceeds

16

Certain Legal Matters

16

Experts

17

About This Prospectus

You should rely only on the information contained in or incorporated by reference into this prospectus. We have not authorized any person to give any information or make any representation that is different from, or in addition to, that contained in this prospectus or in any information that we incorporate by reference into this prospectus. If anyone provides you with different or additional information, you should not rely on it.

This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the securities offered in this prospectus by any person in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation. Neither the delivery of this prospectus nor any sale made under this prospectus of the securities described herein shall under any circumstances imply, and you should not assume, that the information contained in this prospectus or any document incorporated by reference is accurate as of any date other than the date on the front cover of the applicable document, regardless of the time of delivery of this prospectus or of any sale of our securities. Our business, financial condition, results of operations and prospects may have changed since those dates.

Except as otherwise indicated or required by the context, all references in this prospectus to Cincinnati Financial the company, we, us and our are to Cincinnati Financial Corporation and its subsidiaries.

All references in this prospectus to \$ are to United States dollars.

Trademarks and servicemarks in this prospectus are set forth in capital letters and are owned or licensed by us or our subsidiaries.

<R>

About Cincinnati Financial Corporation

We are an Ohio corporation formed in 1968. Our lead subsidiary, The Cincinnati Insurance Company, was founded in 1950 to market property casualty insurance, our main business. Our headquarters is located in Fairfield, Ohio. At year-end 2010, we had a total of 4,060 associates, including 2,838 headquarters associates providing support to 1,163 field associates.

Cincinnati Financial Corporation owns 100 percent of three subsidiaries: The Cincinnati Insurance Company, CSU Producer Resources Inc., and CFC Investment Company. In addition, the parent company has an investment portfolio, owns the headquarters building and is responsible for corporate borrowings and shareholder dividends. The Cincinnati

Insurance Company owns 100 percent of our four insurance subsidiaries.

In addition to The Cincinnati Insurance Company, our standard market property casualty insurance group includes subsidiaries The Cincinnati Casualty Company and The Cincinnati Indemnity Company. This group markets a broad range of business, homeowner and auto policies in 39 states. Other subsidiaries of The Cincinnati Insurance Company include The Cincinnati Life Insurance Company, which markets life insurance policies, disability income policies and annuities, and The Cincinnati Specialty Underwriters Insurance Company, which began offering excess and surplus lines insurance products in January 2008.

The two other subsidiaries of Cincinnati Financial are CSU Producer Resources Inc., which offers insurance brokerage services to our independent agencies so their clients can access our excess and surplus lines insurance products and CFC Investment Company, which offers commercial leasing and financing services to our agents, their clients and other customers.

We provide a more detailed description of our business and important factors that could affect our financial performance in our Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission (SEC) and incorporated by reference herein. Our filings with the Securities and Exchange Commission are available, free of charge, on our website, www.cinfin.com, as soon as possible after they have been filed with the SEC. These filings include our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, Current

Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. In the following pages we reference various websites. These websites, including our own, are not incorporated by reference in this prospectus. See [Where you May Find More Information](#).

</R>

Risk Factors

<R>

An investment in the common stock involves risks. Before deciding whether to purchase any shares of common stock, you should consider the risks discussed below or elsewhere in this prospectus, including those set forth under the heading [Cautionary Statement Regarding Forward-Looking Statements](#), and in our filings with the SEC that we have incorporated by reference in this prospectus.

</R>

Any of the risks discussed below or elsewhere in this prospectus or in our SEC filings incorporated by reference, and other risks we have not anticipated or discussed, could have a material impact on our business, financial condition or results of operations. In that case, the trading price of the common stock could decline substantially.

The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell any shares of the common stock when you want or at prices you find attractive.

The price of our common stock on the NASDAQ Global Select Market constantly changes. We expect that the market price of our common stock will continue to fluctuate.

In addition, the stock markets from time to time experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies and that may be extreme. These fluctuations may adversely affect the trading price of our common stock, regardless of our actual operating performance.

Future sales of our common stock or equity-related securities in the public market could adversely affect the trading price of our common stock and our ability to raise funds in new stock offerings.

In the future, we may sell additional shares of our common stock to raise capital. In addition, shares of our common stock are reserved for issuance on the exercise of stock options, the vesting of restricted stock units and other various instruments. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. Sales of significant amounts of the common stock or equity-related securities in the public market, or the perception that such sales will occur, could adversely affect prevailing trading prices of the common

stock and could impair our ability to raise capital through future offerings of equity or equity-related securities. Future sales of shares of our common stock or the availability of shares of our common stock for future sale could adversely affect the trading price of our common stock.

You should also carefully consider the additional risks and uncertainties described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010, as well as our other public filings, which additional risks are incorporated by reference in this prospectus.

<R>

Safe Harbor Statement

This is our Safe Harbor statement under the Private Securities Litigation Reform Act of 1995. Our business is subject to certain risks and uncertainties that may cause actual results to differ materially from those suggested by the forward-looking statements in this report. Some of those risks and uncertainties are discussed in our 2010 Annual Report on Form 10-K, Item 1A, Risk Factors.

Factors that could cause or contribute to such differences include, but are not limited to:

-

Unusually high levels of catastrophe losses due to risk concentrations, changes in weather patterns, environmental events, terrorism incidents or other causes

-

Increased frequency and/or severity of claims

-

Inadequate estimates or assumptions used for critical accounting estimates

-

Recession or other economic conditions resulting in lower demand for insurance products or increased payment delinquencies

-

Delays in adoption and implementation of underwriting and pricing methods that could increase our pricing accuracy, underwriting profit and competitiveness

-

Inability to defer policy acquisition costs for any business segment if pricing and loss trends would lead management to conclude that segment could not achieve sustainable profitability

-

Declines in overall stock market values negatively affecting the company's equity portfolio and book value

-

Events, such as the credit crisis, followed by prolonged periods of economic instability or recession, that lead to:

-

Significant or prolonged decline in the value of a particular security or group of securities and impairment of the asset(s)

-

Significant decline in investment income due to reduced or eliminated dividend payouts from a particular security or group of securities

-

Significant rise in losses from surety and director and officer policies written for financial institutions

-

Prolonged low interest rate environment or other factors that limit the company's ability to generate growth in investment income or interest rate fluctuations that result in declining values of fixed-maturity investments, including declines in accounts in which we hold bank-owned life insurance contract assets

-

Increased competition that could result in a significant reduction in the company's premium volume

-

Changing consumer insurance-buying habits and consolidation of independent insurance agencies that could alter our competitive advantages

- Inability to obtain adequate reinsurance on acceptable terms, amount of reinsurance purchased, financial strength of reinsurers and the potential for non-payment or delay in payment by reinsurers

- Events or conditions that could weaken or harm the company's relationships with its independent agencies and hamper opportunities to add new agencies, resulting in limitations on the company's opportunities for growth, such as:
 - Downgrades of the company's financial strength ratings

 - Concerns that doing business with the company is too difficult

 - Perceptions that the company's level of service, particularly claims service, is no longer a distinguishing characteristic in the marketplace

 - Delays or inadequacies in the development, implementation, performance and benefits of technology projects and enhancements

- Actions of insurance departments, state attorneys general or other regulatory agencies, including a change to a federal system of regulation from a state-based system, that:
 - Restrict our ability to exit or reduce writings of unprofitable coverages or lines of business

 - Place the insurance industry under greater regulatory scrutiny or result in new statutes, rules and regulations

 - Add assessments for guaranty funds, other insurance-related assessments or mandatory reinsurance arrangements; or that impair our ability to recover such assessments through future surcharges or other rate changes

 - Increase our provision for federal income taxes due to changes in tax law

 -

Increase our other expenses

○

Limit our ability to set fair, adequate and reasonable rates

○

Place us at a disadvantage in the marketplace

○

Restrict our ability to execute our business model, including the way we compensate agents

●

Adverse outcomes from litigation or administrative proceedings

●

Events or actions, including unauthorized intentional circumvention of controls, that reduce the company's future ability to maintain effective internal control over financial reporting under the Sarbanes-Oxley Act of 2002

●

Unforeseen departure of certain executive officers or other key employees due to retirement, health or other causes that could interrupt progress toward important strategic goals or diminish the effectiveness of certain longstanding relationships with insurance agents and others

•

Events, such as an epidemic, natural catastrophe or terrorism, that could hamper our ability to assemble our workforce at our headquarters location

•

Difficulties with technology or data security breaches that could negatively affect our ability to conduct business and our relationships with agents, policyholders and others

Further, the company's insurance businesses are subject to the effects of changing social, economic and regulatory environments. Public and regulatory initiatives have included efforts to adversely influence and restrict premium rates, restrict the ability to cancel policies, impose underwriting standards and expand overall regulation. The company also is subject to public and regulatory initiatives that can affect the market value for its common stock, such as measures affecting corporate financial reporting and governance. The ultimate changes and eventual effects, if any, of these initiatives are uncertain.

</R>

Direct Registration

We are eligible to participate in the Direct Registration System (DRS). DRS is a method of recording shares of stock in book-entry form. Book entry means that your shares are registered in your name on our books without the need for physical certificates and are held separately from any plan shares you may own. Shares held in book-entry form have all the traditional rights and privileges as shares held in certificate form. With DRS you can:

eliminate the risk and cost of storing certificates in a secure place

eliminate the cost associated with replacing lost, stolen, or destroyed certificates

move shares electronically to a broker or to other registered accounts.

Any future share transactions will be issued in book-entry form rather than physical certificates unless you specify otherwise. You may convert any stock certificate(s) you are currently holding into book-entry form by sending the stock certificate(s) to Shareholder Services at Cincinnati Financial Corporation with a request to deposit them to your DRS account or your plan account. There is no cost to you for this custodial service and by doing so you will be relieved of the responsibility for loss or theft of your certificate(s). Your certificate(s) should not be endorsed, and we recommend sending your certificate(s) registered mail, insured for 3 percent of the current market value of the shares.

You may choose to have a portion or all of your book-entry or plan shares delivered directly to your broker by contacting your broker/dealer. When using your broker to facilitate a share movement, please provide the broker with a copy of your DRS account statement.

About the Plan

1. What is the Cincinnati Financial Corporation Shareholder Investment Plan?

The Cincinnati Financial Corporation Shareholder Investment Plan is a direct stock purchase and dividend reinvestment plan that enables new investors to make an initial investment in our common stock and existing investors to increase their holdings of our common stock. Participants can purchase our common stock with optional cash investments and cash dividends. By participating in the plan, you authorize the use of your cash dividends on common stock for the purchase of additional shares of common stock.

2. Who is the transfer agent for Cincinnati Financial Corporation?

Cincinnati Financial Corporation is its own transfer agent. Our Shareholder Services department is the company's stock transfer and dividend disbursing agent and administrator of our Shareholder Investment Plan.

3. What features does the plan offer?

Initial investment/Enrollment (page 6). If you are not currently a shareholder, you can make an initial investment in our common stock, starting with as little as \$25.

Purchase/Optional cash investments (page 7). You can increase your holdings of our common stock through optional cash investments of \$25 or more, up to \$10,000 per month. You can make optional cash investments by check, one-time electronic funds withdrawal from your bank account, or by authorizing automatic monthly deductions from your bank checking or savings account. To take advantage of the automatic feature, your financial institution must be a member of the Automated Clearing House (ACH).

<R>

Automatic dividend reinvestment (page 8). You can also increase your holdings of our common stock through automatic reinvestment of your cash dividends. In order to participate in the plan, you must elect to reinvest at least 10 percent of the dividends paid on any plan shares. You can elect to reinvest a (i) higher percentage of your dividends or (ii) the greater of a set dollar amount or at least 10 percent of each dividend paid on the plan shares.

</R>

Automated transactions (page 10). You can execute many of your plan transactions online at www.cinfin.com.

Share safekeeping (page 11). You can deposit your common stock certificates for safekeeping in the plan or a DRS account with Shareholder Services.

The minimum optional cash investment may be different for associates of the company who elect to use payroll deduction.

Refer to Question 8 below for details about fees charged for these transactions and services.

4. Who is the plan administrator and what does the plan administrator do?

Cincinnati Financial Corporation's Shareholder Services department is the plan administrator. As plan administrator, Shareholder Services may forward participants' funds to the broker/dealer for open market purchases. Shareholder Services also keeps account records, sends account statements to participants and performs other administrative duties related to the plan.

Shareholder Services is responsible for purchasing and selling Cincinnati Financial common stock for participants' plan accounts, including the selection of the broker or dealer through which plan transactions are made. Neither Cincinnati Financial nor the Shareholder Services department has any control over the times or prices at which the broker/dealer purchases or sells our common stock in the open market.

5. How do I enroll in the plan if I am already a Cincinnati Financial Corporation shareholder?

If you are a Cincinnati Financial shareholder of record—that is, your shares are registered in your name, not your broker's or bank's name—you can enroll online (see Question 16 below) or by completing and returning the Shareholder Application Form.

6. How do I enroll if I am not currently a Cincinnati Financial shareholder?

If you do not currently have any Cincinnati Financial common stock registered in your name, you can enroll online (see Question 15 below) or by completing and returning the Shareholder Application Form. When you enroll, you will be required to make an initial investment of at least \$25 (but not more than \$10,000), or authorize automatic monthly bank withdrawals of at least \$25 each. If making your initial investment by check, your check for your initial investment and account setup fee should be made payable **to Cincinnati Financial Corporation Shareholder Investment Plan (CFC Shareholder Investment Plan)** in United States funds drawn on a United States bank.

7. How do I enroll if my shares are held other than in my name?

If your Cincinnati Financial shares are registered in the name of a bank, broker or other nominee, simply arrange for the bank, broker or other nominee to register in your name the number of shares of our common stock that you want to include in the plan. You can then enroll as a shareholder of record, as described above. Alternatively, if you do not want to re-register your shares, you can enroll in the plan in the same way as someone who is not currently a Cincinnati Financial shareholder, as described above. This will create a registered account in addition to your brokerage/bank account.

8. What are the fees associated with participation?

Initial Enrollment	No fee
Stock Purchases/Optional Cash Investments	
transaction fee	No fee
brokerage commission	As charged by broker, included in cost
Dividend Reinvestment	
transaction fee	No fee
brokerage commission	As charged by broker, included in cost
Stock Sales	
transaction fee	\$10.00 per sale
brokerage commission	As charged by broker, included in cost
Returned Checks and Rejected Electronic Bank Withdrawals	\$25.00 per item
Prior-Year Duplicate Statements	First request (one statement/year):no fee Subsequent requests/years: \$15.00 per statement year.

Any brokerage charges incurred on sales and purchases are passed through to participants and are reflected in the price per share purchased/sold. Current brokerage charges on sales and purchases are approximately \$0.08/share but are subject to change at any time without prior notice.

Fee structure and payment setup may be different for associates of the company.

We can change the fee structure of the plan at any time. We will give you notice of any fee changes prior to the changes becoming effective.

For initial cash investments, the account setup fee is deducted from the amount invested. Transaction fees and brokerage commissions are deducted from sale proceeds.

9. What are my options for additional cash investments?

You can make optional cash investments at any time by check or by automatic bank withdrawals from a designated United States bank account. Each investment, except as indicated below, can be for as little as \$25. Your total investment for any calendar month is limited to \$10,000, and any calendar year is limited to \$120,000.

Check. If you are not currently a registered shareholder of our common stock, you may make your initial investment via check. The minimum investment amount is \$25.

To make an investment by check, complete and return a Shareholder Application Form together with your payment. Your check must be made payable to Cincinnati Financial Corporation Shareholder Investment Plan (CFC Shareholder Investment Plan), in United States funds, and drawn on a United States bank. Shareholder Services must receive your payment at least two business days prior to an investment date; otherwise, your payment is invested on the next investment date. No interest is paid on your payment pending its investment in our common stock.

Electronic Investment One-Time Transaction. If you are not currently a registered shareholder of our common stock, you may make your initial investment via a one-time, automatic debit from a designated United States bank account at a qualified financial institution. The minimum investment amount is \$25. To authorize a one-time electronic investment, complete the appropriate section of the Enrollment Form and return it to Shareholder Services

with a voided blank check for a checking account or the bank-designated routing number and your savings account number for a savings account. Indicate on the form if the account is a checking or savings account. This electronic debit (withdrawal) is processed as soon as practicable after the completed form is received in Shareholder Services.

Automatic Electronic Investments Recurring Monthly. You can also make investments by automatic monthly debit from a designated United States checking or savings account at a qualified financial institution. Your account will be debited on or about the 20th day of each month or, if that day is not a business day, the next business day. The funds will be invested on the next investment date after your account is debited. To authorize automatic investments, complete the appropriate section of the Shareholder Application Form and return it to Shareholder Services with a voided blank check for a checking account or the bank-designated routing number and your savings account number for a savings account. If you have established automated privileges, you can also authorize automatic monthly investments online (see Question 14 below). Your automatic monthly investment will begin as soon as practicable after Shareholder Services receives your completed form.

If your available credits to the plan do not purchase an exact number of full shares, a fractional share will be credited to your account.

Forms are available for printing on the company website at www.cinfin.com or may be obtained by contacting Shareholder Services (shareholder_inquiries@cinfin.com or 513-870-2639). Wherever available, associates of the company may use payroll deduction to purchase shares. The Associate Payroll Authorization Form must be initiated through Self Service on the company's intranet, CFCNet. To change any aspect of your payroll deduction selection, sign into Associate Gateway and submit the appropriate change.

You can change the amount of your monthly investment or stop your monthly investment altogether by completing a Shareholder Application Form and returning it to Shareholder Services or, if you have established automated privileges, by going online (see Question 14 below). Your change or termination request must be received at least 15 business days prior to an investment date for the change to be effective for that investment date. You may obtain the return of any cash investment upon request received by Shareholder Services on or before the second business day prior to the date on which it is to be invested.

Refer to Question 13 below for a discussion of optional cash investment dates.

No interest is paid on your payment pending its investment in our common stock. If any optional cash investment, whether by check or automatic withdrawal, is returned for any reason, Shareholder Services will remove from your account any shares purchased upon prior credit of such funds and sell these shares. Shareholder Services may sell other shares in the account to cover a returned funds fee for each optional cash investment returned unpaid for any reason and may sell additional shares as necessary to cover any market loss incurred.

Please note, by enrolling and participating in direct investments as part of this plan, you must also agree to automatically reinvest 10 percent of any dividends on the plan shares.

<R>

10. What are my dividend reinvestment options?

The reinvestment option you elect applies to all of your shares of Cincinnati Financial common stock whether held in certificate form, **in direct registration (DRS)** or in the plan. The requirement that you reinvest at least 10 percent of dividends applies only to plan shares. You are not required to reinvest dividends for shares held outside of the plan, whether in certificate form or by direct registration.

Full Dividend Reinvestment. Shareholder Services reinvests in additional shares of our common stock the full amount of cash dividends paid on all your shares of common stock.

Partial Dividend Reinvestment. Shareholder Services reinvests in additional shares of our common stock a specified percentage of at least 10 percent, or set dollar amount (provided that it must be the greater of 10 percent of the dividends or such dollar amount) of cash dividends paid on all your shares of Cincinnati Financial common stock in the plan. Any cash dividends not reinvested are paid to you by check or direct deposit. To authorize direct deposit, please complete the appropriate section of the Enrollment or Shareholder Application Form and a Direct Deposit Authorization Form.

If you elect not to have any of your cash dividends reinvested, your plan shares are moved out of the plan to a book entry position in your DRS account and any fractional share is sold and the proceeds distributed to you. DRS is a securities industry initiative that provides for electronic direct registration of securities on our books, in your existing company account and allows shares to be transferred between the company and your broker electronically.

You may change your reinvestment option at any time by going online, or sending written notice to Shareholder Services by mail or by fax (see Questions 15 and 22 below). Notices received on or before a dividend record date are effective for that cash dividend. Notices received after a dividend record date are not effective until after that cash dividend has been paid.

</R>

11. Do I have all shareholder rights on shares purchased for me in the plan?

Yes. For all shares of our common stock that you purchase under the plan, you receive all stock splits and stock dividends that any of our shareholders receive. In addition, you are permitted to vote all shares of common stock that you hold in the plan as of proxy record date.

12. When are dividends paid?

Historically, Cincinnati Financial has paid dividends on the 15th or next business day of April, July, October and January to shareholders of record around the 20th day of March, June, September and December, respectively. The dividend payment date and dividend record dates are determined by our board of directors and vary slightly from year to year. In addition, the dividend payment date and dividend record dates may change more significantly in the future. To reinvest your cash dividends, Shareholder Services must receive your Shareholder Application Form authorizing dividend reinvestment on or before the dividend record date.

The payment of dividends on our common stock is at the discretion of the company's Board of Directors. There is no guarantee that Cincinnati Financial will pay dividends in the future. The timing and amount of future dividends, if any, will depend on earnings, cash requirements, the financial condition of Cincinnati Financial and its subsidiaries, applicable government regulations and other factors deemed relevant by the Cincinnati Financial Board of Directors.

13. When does Shareholder Services purchase shares?

Optional Cash Investments. Optional cash investments are made on:

Friday of each week or, if the NASDAQ Global Select Market is not open on Friday, the next business day the market is open, or

dividend payment date or, if the NASDAQ Global Select Market is not open on the dividend payment date, the next business day the market is open, when the purchase request is received in the same week a dividend is paid.

Dividend Reinvestment. Cash dividends are reinvested on the applicable dividend payment date or, if the NASDAQ Global Select Market is not open on the dividend payment date, the next business day the market is open.

Shares are purchased and sold for the plan on specified dates or during specified periods. As a result, you do not have any control over the price at which shares are purchased or sold for your account, and you may pay a higher purchase price or receive a lower sales price than if you had purchased or sold the shares outside of the plan. You bear the risk of fluctuations in the price of our common stock. No interest is paid on funds held by the plan administrator pending their investment. All optional cash investments, including the initial cash investment, are subject to collection by Shareholder Services of the full face value in United States funds.

14. How does Shareholder Services buy the shares?

Shareholder Services may purchase our common stock from Cincinnati Financial or use an independent broker/dealer to buy the shares in the open market or in negotiated transactions. Cincinnati Financial determines the method.

15. At what price does the Shareholder Services purchase the shares?

Open Market Purchases. If the shares are purchased in the open market or in a negotiated transaction, your purchase price is the weighted average purchase price per share for all shares purchased for that investment date. The broker/dealer purchases shares as soon as practicable, and in no event more than five business days, after the applicable investment date.

Purchases from Cincinnati Financial. If the shares are purchased from Cincinnati Financial, your purchase price is the closing price of our common stock on the NASDAQ Global Select Market for that investment date. If the NASDAQ Global Select Market is closed on that date, then the price is the closing price of our common stock on the NASDAQ Global Select Market for the next business day the market is open.

Shareholder Services may commingle your funds with those of other participants for purposes of forwarding purchase orders to the independent broker/dealer. Also, purchase and sale orders for the same investment date may be offset, forwarding to the broker/dealer the net purchase or sale requirement. Because the prices at which shares are purchased under the plan are beyond your control, you may lose any advantage otherwise available from being able to select the timing of your investment.

Shareholder Services maintains control over the times when and the prices at which it purchases or sells shares of common stock for the plan. Each day the administrator purchases common shares for the plan is an investment date.

16. May I enroll, view my account information and execute transactions online?

Shareholder Services maintains an Internet website at www.cinfin.com that allows you to enroll online; to view your account balance, recent plan transactions and other helpful information; and to update your personal information. Once you have enrolled, you can also:

enroll in the plan or change your dividend reinvestment option (for example, from full to partial reinvestment);

sell some or all of the shares of our common stock credited to your account under the plan if the then current market value of the shares of our common stock to be sold is \$1,000 or less (if the market value of the shares of our common stock to be sold is greater than \$1,000, the request must be submitted to Shareholder Services in writing with your signature guaranteed by a financial institution that is a member of a recognized Medallion signature guarantee program);
or

terminate your participation in the plan.

Certain restrictions may apply. Please contact Shareholder Services with questions concerning your Internet privileges.

17. Will I receive a statement of my account?

Yes. Shareholder Services reports the number of shares you hold in the account, the shares for which any dividends are reinvested, dividends paid to you, a history of the transactions during the period and fees paid. These statements are your record of the cost basis of your transactions and should be kept for tax purposes. An account statement will be sent to you at least annually and, at the discretion of the company, as soon as practicable after each quarterly dividend reinvestment and after each optional cash investment, any transfer, sale or withdrawal of plan shares. You may also request a statement to be mailed to you.

Participants can also enroll in online access at www.cinfin.com. Once enrolled, participants may then view transactions and statements online. All notices, statements and reports are sent to your last known address. Many states have enacted abandoned property laws that may require the company, the custodian or the agent to remit to the state all stock and dividends held in the plan accounts for which the owner cannot be located. Accordingly, you should promptly notify Shareholder Services of any change of address.

18. Will I receive stock certificates for my plan shares?

Each share purchase is credited to your plan account. Your account statement shows the number of shares of our common stock, including any fractional share, credited to your account. You do not receive a certificate for your plan shares unless you request one. You can request a certificate by submitting your request in writing to Shareholder Services (see Question 23 below for the mailing address). Certificates for fractional shares are never issued.

19. Can I deposit share certificates for safekeeping?

You can at any time, including when you first enroll, deposit Cincinnati Financial common stock certificates registered in your name with Shareholder Services for safekeeping, at no cost to you. To use this service, you must send your certificates to Shareholder Services with a properly completed Certificate Safekeeping Form. Shares represented by certificates that you deposit are included in book entry form in your plan account and thereafter are treated as if acquired under the plan. You are responsible for maintaining your own records of the cost basis of certificated shares deposited in your plan account. If your shares are currently registered in street or other nominee name and you wish to participate in the plan, you may be able to electronically transfer these shares from your existing account to a plan account by contacting your broker.

Please do not endorse your certificates. You are strongly urged to send your certificates by certified or registered mail, insuring them for 3 percent of the current market value of the common stock represented by the certificates. Regardless of the method used, you bear the full risk of loss if the certificates are lost or stolen.

20. Can I transfer my plan shares to someone else?

You can transfer your plan shares to a plan account of another person, subject to compliance with any applicable laws. If the person to whom the shares are gifted or transferred is not a plan participant, Shareholder Services automatically opens an account for the person and enrolls him or her in the plan. To transfer shares to someone not already participating in the plan, simply execute a Stock Transfer Form and return it to Shareholder Services. Your signature on the Stock Transfer Form must be guaranteed by a financial institution that is a member of a recognized Medallion signature guarantee program. If the transferee is not already a registered shareholder or a plan participant, the donor may make a reinvestment election for the transferee at the time of the transfer. If the donor does not make a reinvestment election, then full dividend reinvestment is assumed for all the transferred shares. You can obtain a Stock Transfer Form online at www.cinfin.com or by contacting Shareholder Services at shareholder_inquiries@cinfin.com or by phone at 513-870-2639. If you request to transfer all shares in your plan account between a dividend record date and payable date, your transfer request is processed but your plan account is not terminated. You may receive additional dividend reinvestment shares, which requires you to submit a written request to transfer the additional shares.

You cannot pledge or grant a security interest in your plan shares or transfer your plan shares outside of the plan unless certificates representing the shares have been issued, or by completing the Stock Transfer Form.

21. How do I sell my plan shares?

You can sell some or all of your plan shares by submitting the appropriate information on a Sale/Certificate Withdrawal Form or by submitting a written request to the Shareholder Services. If the current market value of the shares of Cincinnati Financial common stock you want to sell is \$1,000 or less, and you have previously established automated privileges, you can sell the shares online (see Question 15 above).

Shareholder Services may match or offset your sale order against one or more purchase orders of other plan participants. If your sale order is offset against purchase orders, your sale proceeds are based on the weighted average price at which the net purchase order is filled.

If Shareholder Services does not offset your order, they may direct a broker/dealer to execute the order on your behalf in the open market or in a negotiated transaction. The broker/dealer may sell plan shares of our common stock to Cincinnati Financial. If the broker/dealer executes your order in the open market or in a negotiated transaction, the proceeds are based on the weighted average price at which the shares are sold.

After settlement of the sale, Shareholder Services sends you a check for the proceeds of the sale, net of brokerage commissions and transaction fees (if applicable) charged or, if you choose, you may have your proceeds, minus brokerage commissions and transaction fees directly deposited to your bank account. Refer to Question 8 above for a discussion of brokerage commissions and transaction fees.

If you submit a Sale/Certificate Withdrawal Form from your account statement to sell all or part of your plan shares, and you are requesting the net proceeds be automatically deposited to a bank checking or savings account, you must provide a voided blank check for a checking account. If you are unable to provide a voided check, your written request must have your signature(s) guaranteed by a financial institution that is a member of a recognized Medallion signature guarantee program. Requests for automatic deposit of net sale proceeds that do not provide the required documentation will not be honored and a check for the net proceeds will be issued.

The price of our common stock fluctuates on a daily basis. The price may rise or fall after you submit your request to sell and prior to the ultimate sale of your shares. The price risk is borne solely by you. You cannot revoke your request to sell once it is made.

22. Can I leave the plan at any time?

Yes. You can close your plan account by completing and returning a Sale/Certificate Withdrawal Form or by sending a written request to Shareholder Services that includes the name of the plan and your account number. If you have previously established automated privileges, you can terminate your participation in the plan online at www.cinfin.com. If you have authorized automatic monthly bank withdrawals, Shareholder Services must receive your request at least two business days before the next scheduled investment date to ensure that the request is effective for that investment date. If your request to terminate from the plan is received on or after a dividend record date but before the dividend payment date, your termination is processed as soon as practicable, and a separate dividend check is mailed to you.

If you prefer to transfer your shares to your brokerage account, contact your broker to request the transfer using the Direct Registration System.

Upon termination of your participation in the plan, unless you request on a Sale/Certificate Withdrawal Form that some or all of your plan shares be sold, Shareholder Services converts your full plan shares into direct registration and issues you a check, minus brokerage commissions and transaction fees, for any fractional share. If you use the Sale/Certificate Withdrawal Form to request that the broker/dealer sell some or all of your plan shares on your behalf, after settlement of the sale, Shareholder Services sends you a check in the amount of the net proceeds of the sale (plus the market value of any fractional plan share) and converts any whole plan shares not sold into direct registration. Refer to Question 20 above for a discussion of how plan shares are sold and Question 8 above for a discussion of brokerage commissions and transaction fees. A request to terminate participation in the plan is also treated as a request to cease any direct debits authorized.

After termination, you can re-enroll in the plan online or by submitting a new Shareholder Application Form and complying with all other enrollment procedures. To minimize unnecessary plan administrative costs and to encourage use of the plan as a long-term investment vehicle, Cincinnati Financial reserves the right to deny participation in the plan to previous participants who Cincinnati Financial or Shareholder Services believes have been excessive in their enrollment and termination.

The company reserves the right to terminate your participation in the plan if your plan account balance falls below one whole share of common stock for a period of six months or more. If the company terminates your participation for this reason, you receive a check for your fractional share in the same manner as if you had chosen to close your account in the plan.

23. How do I contact the Shareholder Services department?

By mail:

Cincinnati Financial Corporation

Shareholder Services

P.O. Box 145496

Cincinnati, Ohio 45250-5496

For overnight delivery:

Cincinnati Financial Corporation

Shareholder Services

6200 South Gilmore Rd

Fairfield, OH 45014-5141

By telephone: 513-870-2639

By Fax: 513-870-2988

Internet: *shareholder_inquiries@cinfin.com*

24. What are the U.S. federal income tax consequences of participating in the plan?

The following is a brief summary of some of the principal U.S. federal income tax considerations applicable, as of the date of this prospectus, to participation in the plan.

In general, participants in the plan have the same U.S. federal income tax consequences with respect to dividends as shareholders not participating in the plan. You are treated for U.S. federal income tax purposes as having received on each dividend payment date with respect to shares of Cincinnati Financial common stock held for you, a dividend equal to the full amount of the cash dividends payable on both the shares of our common stock registered in your own name and the Cincinnati Financial common stock held through the plan, even though the amount of dividends reinvested is not actually received in cash but is instead applied to the purchase of our common stock for your account under the plan. In addition, the Internal Revenue Service has ruled that the amount of brokerage commissions paid by us on your behalf (where plan common stock is purchased on the open market) is to be treated as a distribution to you which is subject to income tax in the same manner as dividends. The sum of those amounts becomes your cost basis for those shares of our common stock.

Your statement of account under the plan shows the price per share to you of our common stock purchased with reinvested dividends. That price, which includes the brokerage commissions paid by us on your behalf on purchase under the plan of shares of our common stock, is the federal income tax cost basis to you of shares of our common stock acquired under the plan. Your statement of account also shows the date on which the shares of common stock purchased under the plan were credited to your account. Your holding period for our common stock purchased under the plan generally begins on the date following the date on which those shares of our common stock are credited to your plan account.

You receive an annual statement summarizing all the transactions in your account for that year. The year-end statement includes an Information Return summarizing dividend paid (1099-DIV) to you during the year. If applicable, you also receive an Information Return summarizing proceeds from sales transactions during the prior year (1099-B) or an Information Return for dividends paid on non-U.S. accounts (1042-S). Shareholder Services must

provide copies of these Information Returns to the U.S. Internal Revenue Service. Although the company makes efforts to assist plan participants by providing periodic statements and other reports, plan participants have the ultimate responsibility for maintaining your own records for tax and other purposes.

Information forms (Forms 1099-DIV) are mailed to plan participants each year and set forth the taxable dividends and brokerage commissions reportable for U.S. federal income tax purposes. These dividends and brokerage commissions must be reported on your federal income tax return.

Reinvested dividends are not subject to withholding unless (1) you fail to give your Social Security or tax identification number to us, (2) the Internal Revenue Service notifies us that you are subject to tax withholding, or (3) you fail to certify, under penalties of perjury, that you are not subject to backup withholding if such certification is required. If you are a shareholder whose dividends are subject to tax withholding, we apply toward the purchase

of our common stock under the plan an amount equal to the dividends being reinvested less the amount of tax required to be withheld. Your statement of account under the plan indicates the amount of tax withheld.

You do not recognize any taxable income upon receipt of a certificate for whole shares of common stock credited to your account under the plan, whether upon request for such a certificate, upon termination of your participation in the plan or upon termination of the plan. However, you may recognize a gain or loss upon receipt of a cash payment for whole shares of Cincinnati Financial common stock or a fractional common share credited to your account under the plan when that account is terminated by you, when shares of our common stock credited to your account under the plan are sold or when the plan is terminated. A gain or loss may also be recognized upon your disposition of the Cincinnati Financial common stock received from the plan. The amount of any such gain or loss is the difference between the amount received for the whole or fractional shares of our common stock and the cost basis of the Cincinnati Financial common stock. Generally, gain or loss recognized on the disposition of shares of our common stock acquired under the plan is treated for U.S. federal income tax purposes as a capital gain or loss and is long-term capital gain or loss if, as of the date of such disposition, the holding period with respect to the shares of Cincinnati Financial common stock sold exceeds one year.

The discussion above is a summary of the important United States federal income tax consequences of your participation in the plan. The summary is based on the Internal Revenue Code of 1986, as amended, United States Treasury Regulations, administrative rulings and court decisions, in effect as of the date of this prospectus, all of which are subject to change at any time, possibly with retroactive effect. This summary is not a complete description of all of the tax consequences of your participation in the plan. For example, it does not address any state, local or foreign tax consequences of your participation. You should consult your own tax adviser about the tax consequences of your participation in the plan.

Other Plan Information

Stock Dividends and Stock Splits. Stock dividends or split shares issued by Cincinnati Financial on plan shares are credited to your account. Stock dividends or split shares issued with respect to your certificated or direct registration shares are handled in the same manner as for shareholders who are not participating in the plan. Cash dividends paid on the shares issued as stock dividends or stock splits are processed in accordance with the dividend reinvestment option then elected. If Shareholder Services receives, between the record date and payable date for a stock distribution, a request for plan termination or a request to sell plan shares, the request is not processed until the stock distribution is credited to your account.

Dividend and Voting Rights. Dividend and voting rights of shares purchased under the plan commence upon settlement of the transaction, which normally is three business days after purchase. Shares purchased on or within two business days prior to a dividend record date are considered *ex-dividend* and therefore not entitled to payment of that dividend.

Voting of Plan Shares. Each shareholder entitled to vote at a meeting of shareholders is sent proxy materials before the meeting. You are encouraged to read the proxy statement carefully. You may vote online or by phone or by returning the signed, dated proxy material. The proxies will vote the shares in accordance with your instructions.

Limitation of Liability. In administering the plan, neither Cincinnati Financial, Shareholder Services nor any broker/dealer selected by Shareholder Services to execute purchases and sales on behalf of plan participants will be liable for any good faith act or good faith omission to act, including but not limited to any claim of liability (1) arising out of the failure to terminate a participant's account upon such participant's death prior to receipt of a notice in writing of such death from a duly authorized representative of the estate, (2) with respect to the prices or times at which our common stock is purchased or sold, or (3) as to the value of the Cincinnati Financial common stock acquired for participants.

Shareholder Services is acting solely as the agent of Cincinnati Financial and owes no duties, fiduciary or otherwise, to any other person by reason of the plan, and no implied duties, fiduciary or otherwise, will be read into the status of Shareholder Services under the plan. Shareholder Services undertakes to perform such duties and only such duties as are expressly described in this prospectus to be performed by it, and no implied covenants or obligations will be read into the plan against the Shareholder Services or Cincinnati Financial.

In the absence of negligence or willful misconduct on its part, Shareholder Services, whether acting directly or through agents or attorneys, will not be liable for any action taken, suffered or omitted, or for any error of judgment

made by it, in the performance of its duties under the plan. In no event will Shareholder Services be liable for special, indirect or consequential loss or damage of any kind whatsoever (including, but not limited to, lost profit), even if they have been advised of the likelihood of such loss or damage and regardless of the form of action.

Shareholder Services will not be required to make and will make no representations and have no responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, other than its own. In addition, they will not be obligated to take any legal action under the plan that might, in its judgment, involve any expense or liability, unless it has been furnished with reasonable indemnity.

Shareholder Services will not be responsible or liable for any failure or delay in the performance of its obligations under the plan arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental actions; it being understood that they will use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Shareholder Services is authorized to choose a registered broker/dealer, including a broker/dealer affiliated with the Cincinnati Financial, at its sole discretion to facilitate purchases and sales of our common stock by plan participants. Shareholder Services will furnish the name of the registered broker/dealer, including any affiliated broker/dealer, utilized in common share transactions within a reasonable time upon written request from a plan participant.

Modification or Termination of the Plan. Cincinnati Financial can suspend, modify or terminate the plan at any time in whole or in part or with respect to participants in certain jurisdictions. Notice of any suspension, material modification or termination will be sent to all affected participants.

<R>

Denial or Termination of Participation by Cincinnati Financial. Shareholder Services may terminate your participation in the plan if you do not own at least one full share in your name or held through the plan or in the event that you have not elected to reinvest at least 10 percent of all dividends on your plan shares in common shares of the company. Cincinnati Financial also reserves the right to deny, modify, suspend or terminate participation in the plan by otherwise eligible persons to the extent Cincinnati Financial deems it advisable or necessary in its discretion to comply with applicable laws or to eliminate practices that are not consistent with the purposes of the plan. Participants whose participation in the plan is terminated will have your full plan shares converted to direct registration and will receive a check less any service fees and broker commissions for any fractional plan share.

</R>

Where You Can Find More Information

Registration Statement

We have filed an amended registration statement on Form S-3/A to register with the Securities and Exchange Commission the shares of our common stock to be offered for purchase by plan participants. This prospectus is part of that registration statement. The registration statement, including the exhibits to the registration statement, contains additional relevant information about us and our common stock. As allowed by SEC rules, this prospectus does not

contain all of the information you can find in the registration statement or the exhibits to the registration statement.

Cincinnati Financial's SEC Filings

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet via the Investors section of the Cincinnati Financial website at www.cinfin.com and at the SEC's website at www.sec.gov. You can also read and copy any document we file with the SEC at its public reference facilities at 450 Fifth Street, N.W., Washington, D.C. 20549. You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the operation of the Public Reference Room.

Information Incorporated by Reference

The SEC allows us to incorporate by reference into this prospectus information that we file with the SEC. This means that we can satisfy our disclosure obligations to you by referring you to SEC documents that contain this information. Information contained in a document that is incorporated by reference is considered part of this prospectus. Information contained in documents that we file with the SEC after the date of this prospectus may update or supersede information in this prospectus and information in documents incorporated by reference.

This prospectus incorporates by reference the Cincinnati Financial SEC documents (or portions of them) set forth below (other than current reports on Form 8-K furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K, unless otherwise indicated). All of the documents were filed under SEC File No. 1-4171.

<R>

Annual Report on Form 10-K for the year ended December 31, 2010

</R>

All other documents filed by the company pursuant to Sections 13(a), 13(c) 14, or 15(d) of the Exchange Act (other than Current Reports on Form 8-K furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K, unless otherwise indicated in those document) subsequent to the date of this prospectus and prior to the filing of a post-effective amendment which indicates that all securities offered through this plan have been sold or which deregisters all securities then remaining unsold shall be deemed to be a part of this plan document from the dates of filing of such reports and documents. Any statement contained in a document incorporated or deemed to be incorporated by reference in this plan document shall be deemed to be modified or suspended for purposes of the registration statement or this prospectus to the extent that a statement contained in any subsequent prospectus or prospectus supplement or in any document subsequently filed with the SEC which also is or is deemed to be incorporated by reference in this document modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the registration statement or this prospectus. All documents incorporated by reference into the Form S-3 of which this prospectus is a part are also incorporated by reference, unless the information in them is superseded by a later filing.

Documents Available Without Charge from Cincinnati Financial

Cincinnati Financial will provide, without charge, copies of any report incorporated by reference into this prospectus, excluding exhibits other than those that are specifically incorporated by reference in this prospectus. You can obtain a copy of any document incorporated by reference by writing or calling Cincinnati Financial as follows:

Cincinnati Financial Corporation

Investor Relations

P.O. Box 145496

Cincinnati, Ohio 45250-5496

Information on the Internet website of Cincinnati Financial or any subsidiary of Cincinnati Financial is not part of this prospectus, and you should not rely on that information in making your investment decision unless that information is also in this prospectus or has been expressly incorporated by reference into this prospectus.

Use of Proceeds

We receive proceeds from purchases of our common stock through the plan only if the purchases are made directly from us rather than by the broker/dealer in the open market. We use any such proceeds for general corporate purposes.

Certain Legal Matters

The validity of the common stock offered by this prospectus has been passed upon for us by Dinsmore & Shohl LLP, Cincinnati, Ohio.

<R>

Experts

The consolidated financial statements and the related financial statement schedules incorporated in this Prospectus by reference from Cincinnati Financial Corporation's Annual Report on Form 10-K and the effectiveness of Cincinnati Financial Corporation's internal control over financial reporting, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report (which report (1) expresses an unqualified opinion on the consolidated financial statements and the related financial statement schedules and includes an explanatory paragraph relating to the Company's change in method of accounting for the recognition and presentation of other-than-temporary impairments in 2009, and (2) expresses an unqualified opinion on the effectiveness of internal control of financial reporting), which is incorporated herein by reference. Such consolidated financial statements and financial statement schedules have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

</R>

PART II

Information Not Required In Prospectus

Item 14. Other Expenses of Issuance and Distribution.

The following table sets forth the various expenses expected to be incurred by the company in connection with the offering described in this registration statement. All amounts are estimated, except for the SEC registration fee.

SEC registration fee

\$ 9,263

Accountants fees and expenses

\$ 9,500

Legal fees and expenses

\$ 5,000

Printing

\$ 6,000

Miscellaneous expenses

\$ 2,000

Total

\$ 31,763

Item 15. Indemnification of Directors and Officers.

Section 1701.13(E) of the Ohio Revised Code gives a corporation incorporated under the laws of Ohio authority to indemnify or agree to indemnify any person who is or was a director, officer, employee or agent of that corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager, or agent of another corporation, domestic or foreign, non-profit or for profit, a limited liability company, or a partnership, joint

venture, trust, or other enterprise, against expenses, including attorney's fees, judgments, fines, and amounts paid in settlement, actually and reasonably incurred by that person in connection with any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the corporation, to which the person was, is or may be made a party because of being or having been such director, officer or employee, provided, in connection with that position, that such person is determined to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, if that person had no reasonable cause to believe his or her conduct was unlawful, that, in the case of an action or suit by or in the right of the corporation, (i) no negligence or misconduct in the performance of duty to the corporation shall have been adjudged unless, and only to the extent that, a court determines, upon application, that, despite the adjudication of liability, but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity, and (ii) the action or suit is not one in which the only liability asserted against a director is pursuant to Section 1701.95 of the Ohio Revised Code, which relates to unlawful loans, dividends and distributions of assets.

Section 1701.13(E) further provides that to the extent that such person has been successful on the merits or otherwise in defense of any such action, suit, or proceeding, or in defense of any claim, issue or matter therein, that person shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by him or her in connection with that role. Section 1701.13(E) further provides that unless at the time of a director's act or omission, the articles of incorporation or the code of regulations of a corporation state by specific reference to Section 1701.13(E) that Section 1701.13(E) does not apply to the corporation, and unless the only liability asserted against a director is pursuant to Section 1701.95 of the Ohio Revised Code, expenses, including attorney's fees, incurred by a director in defending such an action, suit or proceeding shall be paid by the corporation as they are incurred, in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director in which he or she agrees to (i) repay such amounts if it is proved by clear and convincing evidence in a court of competent jurisdiction that such director's action, or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the corporation or undertaken with reckless disregard for the best interests of the corporation and (ii) reasonably to cooperate with the corporation concerning said action, suit or proceeding. Section 1701.13(E) also provides that the indemnification permitted by that section shall not be exclusive, and shall be in addition to, any other rights that directors, officers or employees may have, including rights under insurance purchased by the corporation. Cincinnati Financial's Articles of Incorporation provides for the indemnification of directors and officers of Cincinnati Financial to the fullest extent permitted by law.

The above is a general summary of certain provisions of Cincinnati Financial's Articles of Incorporation and of the Ohio Revised Code and is subject in all respects to the specific and detailed provisions of Cincinnati Financial's

Articles of Incorporation and the Ohio Revised Code. Cincinnati Financial maintains insurance policies insuring its directors and officers against certain obligations that may be incurred by them.

The Securities and Exchange Commission has taken the position that insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted by a company to its directors and officers, such indemnification is against public policy as expressed in such Act and is therefore unenforceable.

<R>

Item 16. Exhibits.

Exhibit

Number

Description of Exhibit

- 3.1 Amended and Restated Articles of Incorporation of Cincinnati Financial Corporation (incorporated by reference to Exhibit 3.1 by reference to the company's 2010 Annual Report on Form 10-K dated February 25, 2011.
- 3.2 Regulations of Cincinnati Financial Corporation, as amended through May 1, 2010 (incorporated by reference to Exhibit 3.2 to the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010)
- 5 Opinion of Dinsmore & Shohl LLP (filed herewith)
- 23(a) Consent of Deloitte & Touche LLP (filed herewith)
- 23(b) Consent of Dinsmore & Shohl LLP (please see Exhibit 5)
- 24 Power of Attorney (included on signature page)

</R>

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;

(ii)

To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii)

To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; provided, however, that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of this registration statement.

(2)

That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the

offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3)

To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4)

That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i)

Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(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 its securities provided by or on behalf of the undersigned registrant; and

(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 purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c)

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions described above under Item 15 or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Signatures

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cincinnati, State of Ohio, on this 15th day of March, 2011.

CINCINNATI FINANCIAL CORPORATION

By: /s/Steven J. Johnston

Steven J. Johnston

Chief Financial Officer, Secretary and Treasurer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
*/s/Kenneth W. Stecher Kenneth W. Stecher	President and Chief Executive Officer; Director (Principal Executive Officer)	March 15, 2011
/s/Steven J. Johnston Steven J. Johnston	Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)	March 15, 2011
*/s/Martin F. Hollenbeck Martin F. Hollenbeck	Senior Vice President (Principal Investment Officer)	March 15, 2011
*Eric N. Matthews Eric N. Matthews	Vice President, Assistant Secretary, Assistant Treasurer (Principal Accounting Officer)	March 15, 2011
*/s/John J. Schiff, Jr. John J. Schiff, Jr.	Chairman of the Board; Director	March 15, 2011
*/s/William F. Bahl William F. Bahl	Director	March 15, 2011
*/s/Gregory T. Bier Gregory T. Bier	Director	March 15, 2011
*/s/Linda W. Clement-Holmes		

Linda W. Clement-Holmes Director March 15, 2011

*/s/Kenneth C. Lichtendahl

Kenneth C. Lichtendahl Director March 15, 2011

**/s/W. Rodney McMullen* March 15, 2011
W. Rodney McMullen Director

**/s/Gretchen W. Price* March 15, 2011
Gretchen W. Price Director

**/s/Thomas R. Schiff* March 15, 2011
Thomas R. Schiff Director

**/s/Douglas S. Skidmore* March 15, 2011
Douglas S. Skidmore Director

**/s/John F. Steele, Jr.* March 15, 2011
John F. Steele, Jr. Director

**/s/Larry R. Webb* March 15, 2011
Larry R. Webb Director

**/s/E. Anthony Woods* March 15, 2011
E. Anthony Woods Director

* By: */s/ Steven J. Johnston*
Steven J. Johnston,
Attorney-in-fact

Exhibit Index

<R>

Exhibit

Number

Description of Exhibit

- 3.1 Amended and Restated Articles of Incorporation of Cincinnati Financial Corporation (incorporated by reference to Exhibit 3.1 by reference to the company's 2010 Annual Report on Form 10-K filed February 25, 2011.
- 3.2 Regulations of Cincinnati Financial Corporation, as amended through May 1, 2010 (incorporated by reference to Exhibit 3.2 to the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010)
- 5 Opinion of Dinsmore & Shohl LLP (filed herewith)
- 23(a) Consent of Deloitte & Touche LLP
- 23(b) Consent of Dinsmore & Shohl LLP (please see Exhibit 5)
- 24 Power of Attorney (included on signature page)

</R>

including Dry-dock inspections, to verify that they have been maintained in accordance with the rules of the classification societies and that recommended maintenance and required repairs have been satisfactorily completed. Class certification is required for our cruise ships to be flagged in a specific country, obtain liability insurance and legally operate as passenger cruise ships. For more information on Dry-dock work, see "Ship Operations and Cruise Infrastructure—Ship Maintenance and Logistics."

Table of Contents

Health and Environment

Our ships are subject to U.S. and various international, national, state and local laws and regulations relating to environmental protection, 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. Specifically, in the U.S., we comply with the U.S. Environmental Protection Agency's Vessel General Permit ("VGP").

In the U.S., we must also meet the U.S. Public Health Service's requirements, including ratings by inspectors from the Vessel Sanitation Program of the Centers for Disease Control and Prevention ("CDC") and the FDA. We rate at the top of the range of CDC and FDA scores achieved by the major cruise lines. In addition, the cruise industry and the U.S. Public Health Service have agreed on regulations for food, water and hygiene to assist cruise lines in achieving the highest health and sanitation standards on cruise ships.

The U.S. Act to Prevent Pollution from Ships, which implements the convention for the Prevention of Pollution from Ships ("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.

The Clean Water Act of 1972, and other laws and regulations, provide the U.S. 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 was designed to minimize pollution within U.S. territorial waters. For our affected ships, all of the requirements are laid out in the EPA's 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.

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. The European Commission’s (“EC”) strategy is to reduce atmospheric emissions from seagoing ships. The EC goes beyond the IMO requirement by introducing legislation to use low sulfur (less than 0.1%) marine gas oil in EU ports.

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 outside of ECAs will be reduced to 0.5% from the current 3.5% global limit after January 2020. The 0.5% global standard will be subject to an IMO review by 2018 to determine the availability of fuel oil to comply with this standard. This review will take into account the global fuel oil market supply and demand, an analysis of trends in fuel oil markets and any other relevant issues. If the IMO determines that there is insufficient fuel to comply with the 0.5% standard in January 2020, then this requirement will be delayed until January 2025, at the latest. However, the European Union Parliament and Council have set January 2020 as the final date for the 0.5% fuel sulfur limit to enter force, regardless of the 2018 IMO review results. This European Union Sulfur Directive will cover European Union Member State territorial waters that are within 12 nautical miles of their coastline.

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 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; however, we do not expect it to be material.

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

Table of Contents

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, Norwegian relies on concession permits from the U.S. National Park Service to operate its ships in Glacier Bay National Park and Preserve. Norwegian currently holds 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.

Security and Safety

The IMO has adopted safety standards as part of SOLAS, 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"). We have obtained certificates certifying that our ships are in 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 and provides for measures strengthening maritime security and places new requirements on governments, port authorities and shipping companies in relation to security issues on ships and in ports.

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. and 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 federal requirement for accessibility into and onto U.S. ports and U.S.-flagged ships.

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.

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, each

of our brands has a legal requirement to maintain a security guarantee based on cruise business originated from the U.K. and, accordingly, has established separate bonds with the Association of British Travel Agents currently valued at approximately British Pound Sterling 6.5 million in the aggregate. We also are required to establish

Table of Contents

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.”

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 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, including as a result of the Acquisition of Prestige, 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, 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 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.

Table of Contents

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 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 U.S. 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 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, 2015, we employed approximately 2,800 full-time employees worldwide in our shoreside operations and approximately 23,700 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.

Table of Contents

Ports and Facilities

We have an agreement with the Government of Bermuda whereby two of our ships are permitted weekly calls in Bermuda through 2018 from Boston, Baltimore, Charleston and New York. In addition, we own a private island in the Bahamas, Great Stirrup Cay, which we utilize as a port-of-call on certain itineraries. We purchased a future cruise destination in Belize which will be introduced in 2016. We have a contract with the New York City Economic Development Corporation pursuant to which we receive preferential berthing rights at the Manhattan Cruise Terminal. Furthermore, we have contracts with the Port of New Orleans and the Port of Miami 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. In addition, we have agreements with similar rights in Port Canaveral and the Port of Tampa. We have an agreement with the Houston Port Authority through April 15, 2017, for certain exclusive berthing rights at the Houston Passenger Cruise Terminal. We have 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. We entered into 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. In Seattle we have concluded a lease agreement with the port and have committed to a capital investment of approximately \$15 million.

Segment Reporting

We have concluded that our business has a single reportable segment. Each brand, Oceania Cruises, Regent and Norwegian constitutes a business for which discrete financial information is available and management regularly reviews the operating results and, therefore, each brand is considered an operating segment. Our operating segments have similar economic and qualitative characteristics, including similar 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 75%, 73 % and 74% for the years ended December 31, 2015, 2014 and 2013, respectively. No other individual country's revenues exceeded 10% in any of our last three years. Substantially all of our long-lived assets are located outside of the U.S. and consist primarily of our ships. We have 16 ships with Bahamas registry with a carrying value of \$7.2 billion and \$6.4 billion as of December 31, 2015 and 2014, respectively. We have five ships with Marshall Island registry with a carrying value of \$1.4 billion as of December 31, 2015 and 2014. We also have one ship with U.S. registry with a carrying value of \$0.3 billion as of December 31, 2015 and 2014 and one ship with Bermuda registry with a carrying value of \$0.08 billion as of December 31, 2015 and 2014.

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.nclhltinvestor.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 20, 2016.

Name	Age	Position
Frank J. Del Rio	61	Director, President and Chief Executive Officer
Wendy A. Beck	51	Executive Vice President and Chief Financial Officer
Andrew Stuart	52	President and Chief Operating Officer, Norwegian brand
Jason M. Montague	42	President and Chief Operating Officer, Regent and Oceania Cruises brands
T. Robin Lindsay	58	Executive Vice President, Vessel Operations
Harry Sommer	48	Executive Vice President, International Business Development
Faye L. Ashby	44	Senior Vice President and Chief Accounting Officer
Daniel S. Farkas	47	Senior Vice President, General Counsel and Assistant Secretary

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 founded Oceania Cruises in October 2002 and has served as Chief Executive Officer of Prestige or its predecessor since October 2002. Based in Miami, Florida, Mr. Del Rio has been responsible for the financial and strategic development of Prestige. Between 2003 and 2007, Mr. Del Rio was instrumental in the development and growth of Oceania Cruises. 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).

Table of Contents

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. Ms. Beck holds a B.S. in Accounting from the University of South Florida and is a Certified Public Accountant (inactive license).

Andrew Stuart has served as the President and Chief Operating Officer for the Norwegian brand since March 2015. 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.

Jason M. Montague has served as President and Chief Operating Officer for the Regent and Oceania Cruises brands since December 2014. Prior to NCLH's Acquisition of Prestige, Mr. Montague served as Chief Financial Officer and Executive Vice President of Prestige from September 2010 until NCLH's Acquisition of Prestige in 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 and integration of Regent Seven Seas Cruises, the financing and delivery of Oceania Cruises' Marina and Riviera newbuilds and the recent 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 who was majority owned by the Interpublic Group of Companies. Mr. Montague holds a BBA in Accounting from the University of Miami.

T. Robin Lindsay has served as Executive Vice President, Vessel Operations for NCLH since January 2015. From November 2014 until January 2015, Mr. Lindsay served as Executive Vice President, Newbuild for Prestige. Prior to the Acquisition of Prestige, he served as the Executive Vice President of Vessel Operations for Prestige from April 2009 until November 2014 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. 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

Table of Contents

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. 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.

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.

Our efforts to expand our business into 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 we are in the process of such expansion efforts. Expansion into new markets requires significant levels of investment. 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, which could adversely impact our business, financial condition and results of operations.

Terrorist acts, acts of piracy, armed conflict and threats thereof 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 thereof, an increase in the activity of pirates operating off the western coast of Africa or elsewhere, political unrest and instability, the issuance of travel advisories by national governments, 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.

Table of Contents

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 and data restoration plans, 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.

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. While we have and continue to invest in data and information technology security initiatives, we cannot completely insulate ourselves from the risks of data security breaches and denial of service attacks that could result in adverse effects on our operations and 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 accounted for 13.5% of our total cruise operating expense for the year ended December 31, 2015, compared to 16.8% and 18.3% for the same periods in 2014 and 2013, respectively. Future increases in the cost of fuel globally 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.

Table of Contents

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.

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;

Table of Contents

- 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.

Despite our substantial indebtedness, we may still be able to incur significantly more debt. This could intensify certain of the risks described above.

We 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 that may not be successful. Our ability to satisfy our debt obligations will depend upon, among other things:

- our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control; and

- our future ability to borrow under certain agreements governing our indebtedness, the availability of which depends on, among other things, our complying with the covenants in such agreements.

There can be no assurance that our business will generate sufficient cash flows from operations, or that we will be able to borrow additional amounts under our existing debt agreements or otherwise, in an amount sufficient to fund our liquidity needs.

If our cash flows and capital resources are insufficient to service our indebtedness, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our indebtedness will depend on numerous factors, including but not limited to the condition of the capital markets, our financial condition at such time, credit ratings and the performance of our industry in general. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt agreements may restrict us from adopting some of these alternatives. In the absence of such operating results and resources sufficient to service our debt, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Some or all of our assets may be illiquid and may have no readily ascertainable market value, however, and we may not be able to consummate such dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due.

Table of Contents

Additionally, the agreements governing our indebtedness include, and any instruments governing future indebtedness of ours may include, exceptions to certain covenants that permit us to incur additional indebtedness, make restricted payments and take other actions.

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.

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

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

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

Our 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.

Table of Contents

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 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. Two of these agreements are in effect through 2016 and three through 2017. The remaining three are set to expire in March and June of 2018. 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.

Table of Contents

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.

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

Table of Contents

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 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. International regulations regarding ballast water and security levels are currently pending.

Additionally, the U.S. and various state and foreign government and regulatory agencies have enacted or are considering new environmental regulations and policies, such as requiring the use of low-sulfur fuels, increasing fuel efficiency requirements and further restricting emissions, including those of green-house gases. 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. In 2006, Alaskan voters approved a ballot measure requiring that cruise ships meet Alaska Water Quality Standards ("WQS"). Pursuant to the ballot measure, Alaska approved stringent regulations and required a waste water discharge permit for cruise ships beginning in 2008. Legislation approved in 2009 allowed the state to issue general permits that contain effluent limits or standards that are less stringent than the WQS where the ship is using economically feasible methods of pollution prevention. In 2013, the state extended the permit program, and allowed ship operators to apply for mixing zones in upcoming permits, an option that may ease compliance with certain WQS. 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

Although NCLH is no longer a "controlled company" within the meaning of the rules of Nasdaq since the completion of the Secondary Equity Offering in May 2015, during a one-year transition period, NCLH may continue to rely on exemptions from certain corporate governance requirements that provide protection to shareholders of companies that are subject to those corporate governance requirements.

Prior to the Secondary Equity Offering in May 2015, the Sponsors controlled a majority of NCLH's voting ordinary shares and, as a result, NCLH was a "controlled company" under Nasdaq rules and elected not to comply with certain Nasdaq corporate governance requirements. Following the Secondary Equity Offering in May 2015, the Sponsors no longer control more than 50% of NCLH's voting ordinary shares and, consequently, NCLH is no longer considered a "controlled company." As a result, NCLH is subject to additional governance requirements under Nasdaq rules, including the requirements to have:

- a majority of independent directors on NCLH's Board of Directors;
- a nominating and governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and

Table of Contents

a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

The Nasdaq rules provide for phase-in periods for these requirements, but we must be fully compliant with the requirements within one year of the date on which we ceased to be a "controlled company." Currently, NCLH does not have a majority of independent directors on its Board of Directors and only two of the three members of its nominating and governance committee and its compensation committee are independent. During this transition period, NCLH's shareholders may not have the same protections afforded to shareholders of companies that are subject to all of the Nasdaq corporate governance requirements. In addition, NCLH may not be able to attract and retain the number of independent directors needed to comply with Nasdaq rules during the transition period.

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.

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.

Table of Contents

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 228,000 square feet of facilities. During 2015, we amended our lease to include approximately 99,000 square feet of additional space. We also have a lease of approximately 77,500 square feet for Prestige’s former executive offices in Miami, Florida which we intend to sublease 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 purchased a future cruise destination in Belize which will be introduced in 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 2015, the Alaska Department of Environmental Conservation issued Notices of Violations to major cruise lines that operated in the state of Alaska, including NCLH, for alleged violations of the Alaska Marine Vessel Visible Emission Standards that occurred over the last several years. We are cooperating with the Alaska Department of Environmental Conservation and conducting our own internal investigation into these matters. However, we do not believe the ultimate outcome will have a material impact on our financial condition, results of operations or cash flows.

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

Item 4. Mine Safety Disclosures

None.

Table of Contents**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:

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

2014

	High	Low
Fourth Quarter	\$48.16	\$30.44
Third Quarter	38.05	31.38
Second Quarter	34.18	29.08
First Quarter	37.30	31.61

Holders

As of February 24, 2016 there were 302 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 deem 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, or pursuant to accelerated share repurchase programs or structured share repurchase programs, and any repurchases may be made pursuant to Rule 10b5-1 plans.

Share repurchase activity during the three months ended December 31, 2015 was as follows:

Period	Total Number of Shares Purchased as Part of a Publicly Announced Program (1)	Average Price Paid per Share	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (in thousands)
October 1, 2015 - October 31, 2015	—	\$ —	\$ 413,335
November 1, 2015 - November 30, 2015	757,056	\$ 56.70	\$ 370,410
December 1, 2015 – December 31, 2015	991,458	\$ 57.40	\$ 313,504
Total for the three months ended December 31, 2015	1,748,514	\$ 57.09	\$ 313,504

(1) On December 17, 2015, we repurchased 348,553 ordinary shares under NCLH's repurchase program as a part of a Secondary Equity Offering by the Apollo Holders and Genting HK for approximately \$20.0 million.

Table of Contents

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, 2015) 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.

Item 6. Selected Financial Data

Prior to the year ended December 31, 2013, the financial statements are those of NCLC and they should be read in conjunction with those financial statements and the related notes as well as with “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.” 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 periods will be the activity of NCLC during such periods.

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”).

	As of or for the Year Ended December 31,				
(in thousands, except share data, per share data and operating data)	2015	2014	2013	2012	2011
Statement of operations data:					

Edgar Filing: CINCINNATI FINANCIAL CORP - Form S-3/A

Total revenue	\$4,345,048	\$3,125,881	\$2,570,294	\$2,276,246	\$2,219,324
Operating income	\$702,486	\$502,941	\$395,887	\$357,093	\$316,112
Net income	\$427,137	\$342,601	\$102,886	\$168,556	\$126,859
Net income attributable to non-controlling interest	\$—	\$4,249	\$1,172	\$—	\$—
Net income attributable to Norwegian Cruise Line Holdings Ltd.	\$427,137	\$338,352	\$101,714	\$168,556	\$126,859
EPS:					
Basic	\$1.89	\$1.64	\$0.50	\$0.95	\$0.71
Diluted	\$1.86	\$1.62	\$0.49	\$0.94	\$0.71
Weighted-average shares outstanding:					
Basic	226,591,437	206,524,968	202,993,839	178,232,850	177,869,461
Diluted	230,040,132	212,017,784	209,239,484	179,023,683	178,859,720
Balance sheet data:					
Total assets	\$12,264,757	\$11,468,996	\$6,577,568	\$5,889,480	\$5,502,378
Property and equipment, net	\$9,458,805	\$8,623,773	\$5,647,670	\$4,960,142	\$4,640,093
Long-term debt, including current portion	\$6,397,537	\$6,080,023	\$3,054,379	\$2,936,406	\$2,978,048
Total shareholders' equity	\$3,780,880	\$3,518,813	\$2,631,266	\$2,018,784	\$1,844,463
Operating data:					
Passengers carried	2,164,404	1,933,044	1,628,278	1,503,107	1,530,113
Passenger Cruise Days	16,027,743	13,634,200	11,400,906	10,332,914	10,227,438
Capacity Days	14,700,990	12,512,459	10,446,216	9,602,730	9,454,570
Occupancy Percentage	109.0	% 109.0	% 109.1	% 107.6	% 108.2

Table of Contents

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.

Table of Contents

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.

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, 2015 would have increased by \$10.0 million. In addition, if our ships were estimated to have no residual value, depreciation expense for the same period would have increased by \$49.2 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.

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

As of December 31, 2015, our annual review consisting of the Step 0 and Step I Test supports the carrying value of these assets.

Table of Contents

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 excludes 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. 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.

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.

Table of Contents

Summary of Significant 2015 Events

In October, we took delivery of Norwegian Escape.

In December, the Apollo Holders and Genting HK sold 10,342,055 ordinary shares of NCLH in a Secondary Equity Offering. In August and May, the Selling Shareholders sold an aggregate of 40,000,000 ordinary shares of NCLH in Secondary Equity Offerings. In March, Genting HK and the TPG Viking Funds sold 12,500,000 ordinary shares of NCLH in a Secondary Equity Offering. The Company did not receive any proceeds from these Secondary Equity Offerings. As of December 31, 2015, the approximate relative ownership percentages of NCLH's ordinary shares were as follows: the Apollo Holders (15.8%), Genting HK (11.1%), the TPG Viking Funds (2.4%), and public shareholders (70.7%).

In accordance with NCLH's \$500.0 million share repurchase program, NCLH may make repurchases in the open market, in privately negotiated transactions, or pursuant to accelerated share repurchase programs or structured share repurchase programs, and any repurchases may be made pursuant to Rule 10b5-1 plans. As of December 31, 2015, we have approximately \$313.5 million of shares that may yet be repurchased under the program.

We have expanded our international presence. We began with the announcement of our redeployment of Norwegian Star to the Australasia region which was followed by the opening of our sales office in Sydney, Australia that services our three brands. We also opened sales and marketing offices in Shanghai, Beijing, Hong Kong, China and Brazil. We announced our plans to introduce the first purpose-built ship customized for the China market in 2017.

Executive Overview

Total revenue increased 39.0% to \$4.3 billion for the year ended December 31, 2015 compared to \$3.1 billion for the year ended December 31, 2014. Net Revenue for the year ended December 31, 2015 increased 37.9% to \$3.3 billion from \$2.4 billion in the same period in 2014 with an improvement in both Net Yield of 17.4% and Capacity Days of 17.5%.

For the year ended December 31, 2015, we had net income attributable to NCLH and diluted EPS of \$427.1 million and \$1.86, respectively. Operating income increased 39.7% to \$702.5 million for the year ended December 31, 2015 from \$502.9 million for the year ended December 31, 2014.

We had Adjusted Net Income and Adjusted EPS of \$662.7 million and \$2.88, respectively, for the year ended December 31, 2015, which includes \$235.5 million of adjustments primarily consisting of expenses related to the

Acquisition of Prestige, non-cash compensation and certain other adjustments. A 39.8% 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,		
	2015	2014	2013
Total revenue	\$4,345,048	\$3,125,881	\$2,570,294
Total cruise operating expense	\$2,655,449	\$1,946,624	\$1,657,659
Operating income	\$702,486	\$502,941	\$395,887
Net income attributable to Norwegian Cruise Line Holdings Ltd.	\$427,137	\$338,352	\$101,714
EPS:			
Basic	\$1.89	\$1.64	\$0.50
Diluted	\$1.86	\$1.62	\$0.49

Table of Contents

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

	Year Ended December 31,		
	2015	2014	2013
Revenue			
Passenger ticket	72.0 %	69.6 %	69.4 %
Onboard and other	28.0 %	30.4 %	30.6 %
Total revenue	100.0%	100.0%	100.0%
Cruise operating expense			
Commissions, transportation and other	17.6 %	16.1 %	17.7 %
Onboard and other	6.3 %	7.2 %	7.6 %
Payroll and related	15.3 %	14.5 %	13.3 %
Fuel	8.3 %	10.4 %	11.8 %
Food	4.1 %	5.4 %	5.3 %
Other	9.5 %	8.7 %	8.8 %
Total cruise operating expense	61.1 %	62.3 %	64.5 %
Other operating expense			
Marketing, general and administrative	12.8 %	12.9 %	11.7 %
Depreciation and amortization	9.9 %	8.7 %	8.4 %
Total other operating expense	22.7 %	21.6 %	20.1 %
Operating income	16.2 %	16.1 %	15.4 %
Non-operating income (expense)			
Interest expense, net	(5.1)%	(4.9)%	(11.0)%
Other income (expense)	(1.1)%	(0.3)%	0.1 %
Total non-operating income (expense)	(6.2)%	(5.2)%	(10.9)%
Net income before income taxes	10.0 %	10.9 %	4.5 %
Income tax benefit (expense)	(0.2)%	0.1 %	(0.5)%
Net income	9.8 %	11.0 %	4.0 %
Net income attributable to non-controlling interest	— %	0.1 %	— %
Net income attributable to Norwegian Cruise Line Holdings Ltd.	9.8 %	10.9 %	4.0 %

Due to the abbreviated period of consolidation of Prestige's results in 2014, certain metrics are presented both on an as reported basis and a Norwegian Stand-alone basis.

The following table sets forth selected statistical information:

Year Ended December 31,		Norwegian Stand-alone	2013 As Reported
2015 As Reported	2014 As Reported		

Edgar Filing: CINCINNATI FINANCIAL CORP - Form S-3/A

Passengers carried	2,164,404	1,933,044	1,917,501	1,628,278
Passenger Cruise Days	16,027,743	13,634,200	13,403,000	11,400,906
Capacity Days	14,700,990	12,512,459	12,252,155	10,446,216
Occupancy Percentage	109.0 %	109.0 %	109.4 %	109.1 %

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, 2015		2014			2013
	As Reported	Constant Currency	As Reported	Norwegian Stand-alone	Norwegian Stand-alone Constant Currency	As Reported
Passenger ticket revenue	\$3,129,075	\$3,203,661	\$2,176,153	\$2,079,610	\$ 2,081,105	\$1,784,439
Onboard and other revenue	1,215,973	1,215,973	949,728	934,576	934,922	785,855
Total revenue	4,345,048	4,419,634	3,125,881	3,014,186	3,016,027	2,570,294
Less:						
Commissions, transportation and other expense	765,298	783,891	503,722	471,981	474,466	455,816
Onboard and other expense	272,802	272,802	224,000	218,033	218,379	195,526
Net Revenue	3,306,948	3,362,941	2,398,159	2,324,172	2,323,182	1,918,952
Non-GAAP Adjustment:						
Deferred revenue (1)	32,431	32,431	10,052	—	—	—
Adjusted Net Revenue	\$3,339,379	\$3,395,372	\$2,408,211	\$2,324,172	\$ 2,323,182	\$1,918,952
Capacity Days	14,700,990	14,700,990	12,512,459	12,252,155	12,252,155	10,446,216
Gross Yield	\$295.56	\$300.64	\$249.82	\$246.01	\$ 246.16	\$246.05
Net Yield	\$224.95	\$228.76	\$191.66	\$189.69	\$ 189.61	\$183.70
Adjusted Net Yield	\$227.15	\$230.96	\$192.47	\$189.69	\$ 189.61	\$183.70

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

Table of Contents

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, 2015		2014			2013
	As Reported	Constant Currency	As Reported	Norwegian Stand-alone	Norwegian Stand-alone Constant Currency	As Reported
Total cruise operating expense	\$2,655,449	\$2,683,776	\$1,946,624	\$1,863,781	\$1,864,814	\$1,657,659
Marketing, general and administrative expense	554,999	560,376	403,169	374,630	374,080	301,155
Gross Cruise Cost	3,210,448	3,244,152	2,349,793	2,238,411	2,238,894	1,958,814
Less:						
Commissions, transportation and other expense	765,298	783,891	503,722	471,981	474,466	455,816
Onboard and other expense	272,802	272,802	224,000	218,033	218,379	195,526
Net Cruise Cost	2,172,348	2,187,459	1,622,071	1,548,397	1,546,049	1,307,472
Less: Fuel expense	358,650	358,650	326,231	315,345	315,345	303,439
Net Cruise Cost Excluding Fuel	1,813,698	1,828,809	1,295,840	1,233,052	1,230,704	1,004,033
Less Non-GAAP Adjustments:						
Non-cash share-based compensation related to the IPO (1)	—	—	—	—	—	18,527
Crew expenses (2)	10,154	10,154	7,693	7,693	7,693	—
Non-cash share-based compensation (3)	42,211	42,211	20,627	20,627	20,627	8,898
Secondary Equity Offerings' expenses (4)	2,226	2,226	2,075	2,075	2,075	2,251
Severance payments and other fees (5)	17,580	17,580	—	—	—	—
Management NCL Corporation Units exchange expenses (6)	624	624	—	—	—	—
Acquisition of Prestige expenses (7)	27,170	27,170	57,513	48,566	48,566	—
Contingent consideration adjustment (8)	(43,400)	(43,400)	—	—	—	—
Contract termination expenses (9)	3,319	3,319	—	—	—	—

Edgar Filing: CINCINNATI FINANCIAL CORP - Form S-3/A

Other (10)	—	—	3,804	3,804	3,804	3,373
Adjusted Net Cruise Cost Excluding Fuel	\$1,753,814	\$1,768,925	\$1,204,128	\$1,150,287	\$1,147,939	\$970,984
Capacity Days	14,700,990	14,700,990	12,512,459	12,252,155	12,252,155	10,446,216
Gross Cruise Cost per Capacity Day	\$218.38	\$220.68	\$187.80	\$182.70	\$182.73	\$187.51
Net Cruise Cost per Capacity Day	\$147.77	\$148.80	\$129.64	\$126.38	\$126.19	\$125.16
Net Cruise Cost Excluding Fuel per Capacity Day	\$123.37	\$124.40	\$103.56	\$100.64	\$100.45	\$96.11
Adjusted Net Cruise Cost Excluding Fuel per Capacity Day	\$119.30	\$120.33	\$96.23	\$93.88	\$93.69	\$92.95

- (1) Non-cash share-based compensation expenses related to the IPO, which are included in marketing, general and administrative expense.
- (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.
- (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) Contingent consideration fair value adjustment related to the Acquisition of Prestige, which is included in marketing, general and administrative expense.
- (9) Contract termination expenses related to the Acquisition of Prestige, which are included in other cruise operating expense.
- (10) Expenses primarily related to the Corporate Reorganization and the settlement of a 2007 breach of contract claim, which are included in marketing, general and administrative expense.

Table of Contents

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

	Year Ended December 31,			2013
	2015	2014		
	As Reported	As Reported	Norwegian Stand-alone	As Reported
Net income attributable to Norwegian Cruise Line Holdings Ltd.	\$427,137	\$338,352	\$369,724	\$101,714
Net income attributable to non-controlling interest	—	4,249	4,249	1,172
Net income	427,137	342,601	373,973	102,886
Non-GAAP Adjustments:				
Non-cash share-based compensation related to the IPO (1)	—	—	—	18,527
Crew expenses (2)	10,154	7,693	7,693	—
Non-cash share-based compensation (3)	42,384	20,627	20,627	9,408
Secondary Equity Offerings' expenses (4)	2,226	2,075	2,075	2,251
Taxes related to changes in corporate structure (5)	—	5,247	5,247	(5)
Severance payments and other fees (6)	17,580	—	—	—
Debt related expenses (7)	—	15,397	23,762	160,573
Management NCL Corporation Units exchange expenses (8)	624	—	—	—
Acquisition of Prestige expenses (9)	27,170	57,513	48,566	—
Deferred revenue (10)	32,431	13,004	—	—
Amortization of intangible assets (11)	72,917	12,600	—	—
Contingent consideration adjustment (12)	(43,400)	—	—	—
Loss on extinguishment of debt (13)	12,624	—	—	—
Derivative loss (14)	40,971	—	—	—
Contract termination expenses (15)	6,848	—	—	—
Information technology write-off (16)	12,988	—	—	—
Other (17)	—	3,804	3,804	2,150
Adjusted Net Income	\$662,654	\$480,561	\$485,747	\$295,790
Diluted weighted-average shares outstanding-Net income and Adjusted Net Income	230,040,132	212,017,784	209,684,848	209,239,484
Diluted EPS	\$1.86	\$1.62	\$1.78	\$0.49
Adjusted EPS	\$2.88	\$2.27	\$2.32	\$1.41

(1) Non-cash share-based compensation expenses related to the IPO, which are included in marketing, general and administrative expense.

(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.
- (4) Expenses related to the Secondary Equity Offerings, which are included in marketing, general and administrative expense.
 - (5) Taxes related to the change in our corporate entity structure, which are included in income tax benefit (expense).
 - (6) Severance payments and other expenses related to restructuring costs and other severance arrangements, which are included in marketing, general and administrative expense.
 - (7) Write-off of deferred financing fees, premiums paid and other expenses related to prepayments of debt, which are included in interest expense, net.
 - (8) Expenses related to the exchange of Management NCL Corporation Units for ordinary shares, which are included in marketing, general and administrative expense.
 - (9) Expenses related to the Acquisition of Prestige, which are included in marketing, general and administrative expense.
 - (10) 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 Net Revenue.
 - (11) Amortization of intangible assets related to the Acquisition of Prestige, which are included in depreciation and amortization expense.
 - (12) Contingent consideration fair value adjustment related to the Acquisition of Prestige, which is included in marketing, general and administrative expense.
 - (13) Loss on extinguishment of debt, which is included in interest expense, net.
 - (14) Losses of \$(26.2) million for a foreign exchange collar which does not receive hedge accounting treatment and losses of \$(14.7) million related to certain fuel swap derivative hedge contracts for the year ended December 31, 2015.
 - (15) Contract termination expenses related to the Acquisition of Prestige, which are included in other cruise operating expense and depreciation and amortization expense.
 - (16) Expenses related to the write-off of certain information technology items, which are included in depreciation and amortization expense.
 - (17) 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.

Table of Contents

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

	Year Ended December 31,			2013 As Reported
	2015 As Reported	2014 As Reported	Norwegian Stand-alone	
Net income attributable to Norwegian Cruise Line Holdings Ltd.	\$427,137	\$338,352	\$ 369,724	\$ 101,714
Interest expense, net	221,909	151,754	150,871	282,602
Income tax expense (benefit)	6,772	(2,267)	(2,279)	11,802
Depreciation and amortization expense	432,114	273,147	253,153	215,593
EBITDA	1,087,932	760,986	771,469	611,711
Net income attributable to non-controlling interest	—	4,249	4,249	1,172
Other (income) expense	46,668	10,853	57	(1,403)
Non-cash share-based compensation related to the IPO (1)	—	—	—	18,527
Crew expenses (2)	10,154	7,693	7,693	—
Non-cash share-based compensation (3)	42,211	20,627	20,627	11,623
Secondary Equity Offerings' expenses (4)	2,226	2,075	2,075	2,251
Severance payments and other fees (5)	17,580	—	—	—
Management NCL Corporation Units exchange expenses (6)	624	—	—	—
Acquisition of Prestige expenses (7)	27,170	57,513	48,566	—
Deferred revenue (8)	32,431	10,052	—	—
Contingent consideration adjustment (9)	(43,400)	—	—	—
Contract termination expenses (10)	3,319	—	—	—
Other (11)	—	3,804	3,804	3,314
Adjusted EBITDA	\$1,226,915	\$877,852	\$ 858,540	\$ 647,195

- (1) Non-cash share-based compensation expenses related to the IPO, which are included in marketing, general and administrative expense.
- (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.
- (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 Net Revenue.
- (9) Contingent consideration fair value adjustment related to the Acquisition of Prestige, which is included in marketing, general and administrative expense.
- (10) Contract termination expenses related to the Acquisition of Prestige, which are included in other cruise operating expense.
- (11) 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.

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. 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

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.

Table of Contents

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. Other income (expense) 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 global tax platform, 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.

Year Ended December 31, 2014 (“2014”) Compared to Year Ended December 31, 2013 (“2013”)

Revenue

Total revenue increased 21.6% to \$3.1 billion in 2014 compared to \$2.6 billion in 2013. Net Revenue increased 25.0% in 2014, primarily due to an increase in Capacity Days of 19.8%. The increase in Capacity Days was primarily due to the delivery of Norwegian Breakaway in April 2013 and Norwegian Getaway in January 2014. The Net Yield improvement of 4.3% was due to higher net ticket and net onboard and other revenue. Adjusted Net Revenue for 2014 includes a deferred revenue fair value adjustment of \$10.1 million related to the Acquisition of Prestige. The improvement in Adjusted Net Yield was primarily the result of a 3.3% increase in Norwegian Stand-alone Net Yield (3.2% on a Constant Currency basis) and partially due to the addition of Prestige’s brands to the fleet.

Expense

Total cruise operating expense increased 17.4% in 2014 compared to 2013 primarily due to the increase in Capacity Days as discussed above. Total other operating expense increased 30.9% in 2014 compared to 2013 primarily due to transaction expenses related to the Acquisition of Prestige and certain inaugural and launch-related costs for Norwegian Getaway and an increase in depreciation and amortization expense related to the addition of Norwegian Breakaway and Norwegian Getaway. On a Capacity Day basis, Net Cruise Cost increased 3.6% due to the increase in expenses explained above partially offset by a decrease in fuel expense. The fuel price per metric ton, excluding the impact of hedges was \$605 in 2014 compared to \$686 in 2013. We experienced a negative impact in 2014 of \$10.3 million on our hedge portfolio due to recent reductions in fuel prices compared to a benefit of \$4.7 million in 2013. Net of hedges, fuel price per metric ton decreased to \$625 in 2014 compared to \$675 in 2013. The Company's fuel consumption per capacity day decreased 3.1%. On a Capacity Day basis, Net Cruise Cost Excluding Fuel increased 7.8% primarily due to costs related to the Acquisition of Prestige and certain general and administrative costs and Adjusted Net Cruise Cost Excluding Fuel per Capacity Day increased 3.5%. Adjusted Net Cruise Cost Excluding Fuel was relatively unchanged on a Norwegian Stand-alone Constant Currency basis.

Interest expense, net decreased to \$151.8 million in 2014 from \$282.6 million in 2013. Interest expense, net for 2014 reflected an increase in average debt outstanding associated with newbuild financings and debt incurred in connection with the Acquisition of Prestige, partially offset by lower interest rates from the benefits from the redemption of higher rate debt and refinancing transactions. In addition, 2014 reflects \$15.4 million of expenses related to financing transactions in conjunction with the Acquisition of Prestige while 2013 reflects \$160.6 million of expenses associated with debt prepayments.

In 2014 we had an income tax benefit of \$2.3 million compared to an income tax expense of \$11.8 million for 2013. During the fourth quarter of 2013, we completed the implementation of a global tax platform, which had a favorable impact on the amount of income subject to U.S. corporate tax. This favorable impact continued through calendar year 2014. In addition, during the first quarter of 2014, we received information which allowed us to elect a tax method to calculate deductible interest expense which resulted in a tax benefit of \$11.1 million including a \$5.2 million non-recurring benefit.

Table of Contents

Liquidity and Capital Resources

General

As of December 31, 2015, our liquidity was \$665.9 million consisting of \$115.9 million in cash and cash equivalents and \$550.0 million available under our revolving credit facility. Our primary ongoing liquidity requirements are to finance working capital, capital expenditures and debt service.

As of December 31, 2015, we had a working capital deficit of \$2.0 billion. This deficit included \$1.0 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 revolving credit 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 2015 refer to the year ended December 31, 2015, references to 2014 refer to the year ended December 31, 2014 and references to 2013 refer to the year ended December 31, 2013.

Net cash provided by operating activities was \$1.0 billion in 2015 compared to \$635.6 million in 2014 and \$475.3 million in 2013. The change in net cash provided by operating activities in 2015 reflects net income of \$427.1 million, 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. The change in net cash provided by operating activities in 2014 reflects net income of \$342.6 million compared to net income in 2013 of \$102.9 million, as well as timing differences in cash receipts and payments relating to operating assets and liabilities. The net income in 2013 included fees of \$124.2 million related to prepayment of debt and \$11.4 million of deferred income taxes.

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 (i) the Acquisition of Prestige (ii) the delivery of Norwegian Getaway, and (iii) our Breakaway Plus Class Ships and other ship improvements and shoreside projects. Net cash used in investing activities was \$894.9 million in 2013, primarily related to the payments for construction and delivery of Norwegian Breakaway and construction of Norwegian Getaway, as well as other ship improvements and shoreside projects.

Net cash provided by financing activities was \$196.2 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 credit facility and other borrowings. In November 2014, we also issued the \$680.0 million 5.25% senior unsecured notes. Net cash provided by financing activities was \$430.5 million in 2013, primarily due to the issuance of our \$300.0 million 5% senior unsecured notes as well as borrowings under other credit facilities and the proceeds from the issuance of ordinary shares partially offset by repayments of our \$450.0 million 11.75% senior secured notes and revolving credit facilities, and a payment related to the Norwegian Sky Purchase Agreement.

Future Capital Commitments

Future capital commitments consist of contracted commitments, including ship construction contracts, and future expected capital expenditures necessary for operations. As of December 31, 2015, anticipated capital expenditures were \$1.0 billion, \$1.1 billion and \$1.2 billion for each of the years ending December 31, 2016, 2017 and 2018, respectively, of which we have export credit financing in place for the expenditures related to ship construction contracts of \$0.5 billion for 2016, \$0.6 billion for 2017 and \$0.7 billion for 2018.

Norwegian Escape was delivered in October 2015. We have three other Breakaway Plus Class Ships on order with Meyer Werft shipyard for delivery in the spring of 2017, spring of 2018 and fall of 2019. These ships will be the largest in our fleet, reaching approximately 164,600 Gross Tons. The combined contract price of these three ships is approximately €2.5 billion, or \$2.7 billion based on the euro/U.S. dollar exchange rate as of December 31, 2015. We have export credit financing in place that provides financing for 80% of their contract prices. We also have a contract with Fincantieri shipyard to build a cruise ship to be named Seven Seas Explorer. The original contract price of the ship is approximately €343.0 million, or approximately \$372.6 million based on the euro/U.S. dollar exchange rate as of December 31, 2015. We have export credit financing in place that provides financing for 80% of the ship's contract price. Seven Seas Explorer is expected to be delivered in the summer of 2016.

Table of Contents

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, 2015, 2014 and 2013 was \$31.9 million, \$22.0 million and \$26.3 million, respectively, primarily associated with the construction of our newbuild ships.

Off-Balance Sheet Transactions

None.

Contractual Obligations

As of December 31, 2015, 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⁾	\$6,502,834	\$629,840	\$1,974,456	\$2,015,644	\$1,882,894
Due to Affiliate ⁽²⁾	20,769	20,769	—	—	—
Operating leases ⁽³⁾	156,680	12,448	27,268	28,150	88,814
Ship construction contracts ⁽⁴⁾	2,992,057	536,815	1,697,128	758,114	—
Port facilities ⁽⁵⁾	185,834	33,217	49,544	42,184	60,889
Interest ⁽⁶⁾	929,245	183,900	357,167	231,455	156,723
Other ⁽⁷⁾	129,787	54,548	34,896	15,572	24,771
Total	\$10,917,206	\$1,471,537	\$4,140,459	\$3,091,119	\$2,214,091

(1) Includes premiums aggregating \$0.7 million. Also includes capital leases.

(2) Primarily related to the purchase of Norwegian Sky.

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

(4)

Edgar Filing: CINCINNATI FINANCIAL CORP - Form S-3/A

For our newbuild ships based on the euro/U.S. dollar exchange rate as of December 31, 2015. Export credit financing is in place from syndicates of banks.

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

(6) Includes fixed and variable rates with LIBOR held constant as of December 31, 2015.

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

The table above does not include \$11.2 million of unrecognized tax benefits (we refer you to the Notes to the Consolidated Financial Statements Note—11 “Income Tax”).

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

Our debt agreements contain covenants that, among other things, require us to maintain a minimum level of liquidity, as well as limit our net funded debt-to-capital ratio, maintain certain other ratios and restrict our ability to pay dividends. Our ships and substantially all other property and equipment are pledged as collateral for our debt. We believe we were in compliance with these covenants as of December 31, 2015.

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

We believe our cash on hand, expected future operating cash inflows, additional available borrowings under our existing credit 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.

Table of Contents

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 amount, term and conditions of the derivatives with the underlying risk being hedged. We do not hold or issue derivatives for trading or other speculative purposes. Derivative positions are monitored using techniques including market valuations and sensitivity analyses.

Interest Rate Risk

As of December 31, 2015, we had interest rate swap agreements to hedge our exposure to interest rate movements and to manage our interest expense. As of December 31, 2015, 56% of our debt was fixed and 44% 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, 2015 was \$715.9 million. Based on our December 31, 2015 outstanding variable rate debt balance, a one percentage point increase in annual LIBOR interest rates would increase our annual interest expense by approximately \$28.2 million excluding the effects of capitalization of interest.

Foreign Currency Exchange Rate Risk

As of December 31, 2015, 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 €1.3 billion, or \$1.4 billion based on the euro/U.S. dollar exchange rate as of December 31, 2015. We estimate that a 10% change in the euro as of December 31, 2015 would result in a \$146.1 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 13.5%, 16.8% and 18.3% for the years ended December 31, 2015, 2014 and 2013, respectively. We use fuel derivative agreements to mitigate the financial impact of fluctuations in fuel prices and as of December 31, 2015, we had hedged approximately 60%, 56%, 49% and 32% of our 2016, 2017, 2018 and 2019 projected metric tons of fuel purchases, respectively. We estimate that a 10% increase in our weighted-average fuel price would increase our anticipated 2016 fuel expense by \$21.9 million. This increase would be partially offset by an increase in the fair value of our fuel swap agreements of \$7.0 million. Fair value of our derivative contracts is derived using valuation models that utilize the income valuation approach. These valuation models take into account the contract terms such as maturity, as well as other inputs such as fuel types, fuel curves, creditworthiness of the counterparty and the Company, as well as other data points.

Item 8. Financial Statements and Supplementary Data

Our 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, 2015. 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, 2015 to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's 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

Table of Contents

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, 2015.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2015, 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, 2015 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.

Table of Contents

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, 2015 in connection with our 2016 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, 2015 in connection with our 2016 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, 2015 in connection with our 2016 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, 2015 in connection with our 2016 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, 2015 in connection with our 2016 Annual General Meeting of Shareholders.

Table of Contents

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.

Table of Contents

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 29, 2016.

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 29, 2016
/s/ Wendy A. Beck Wendy A. Beck	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 29, 2016
/s/ Faye L. Ashby	Senior Vice President and Chief Accounting Officer	February 29, 2016

Faye L. Ashby (Principal Accounting Officer)

/s/ Adam M. Aron Director February 29, 2016
Adam M. Aron

/s/ John Chidsey Director February 29, 2016
John Chidsey

/s/ Kevin Crowe Director February 29, 2016
Kevin Crowe

/s/ Chad A. Leat Director February 29, 2016
Chad A. Leat

/s/ Steve Martinez Director February 29, 2016
Steve Martinez

/s/ Karl Peterson Director February 29, 2016
Karl Peterson

Table of Contents

/s/ Walter L. Revell Director February 29, 2016
Walter L. Revell

/s/ David M. Abrams Director February 29, 2016
David M. Abrams

/s/ F. Robert Salerno Director February 29, 2016
F. Robert Salerno

/s/ Russell W. Galbut Director February 29, 2016
Russell W. Galbut

Table of Contents

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 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))
4.2	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))
4.3	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))
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.

Table of Contents

Exhibit Number	Description of Exhibit
10.6	Office Lease Agreement, dated as of November 27, 2006, by and between NCL (Bahamas) Ltd. and Hines Reit Airport Corporate Center 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	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))
10.13	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 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

Edgar Filing: CINCINNATI FINANCIAL CORP - Form S-3/A

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))

10.14 Shipbuilding Contract for Hull identified therein, dated September 14, 2012, by and among Meyer Werft GMBH, Breakaway Four, Ltd. and NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.11 to NCL Corporation Ltd.’s report on Form 6-K/A filed on January 8, 2013 (File No. 333-128780)) +

10.15 Addendum No. 1, dated October 15, 2012, to Shipbuilding Contract for Hull identified therein, dated September 14, 2012, as amended, by and among Meyer Werft GMBH, Breakaway Four, Ltd. and NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.12 to NCL Corporation Ltd.’s report on Form 6-K/A filed on January 8, 2013 (File No. 333-128780)) +

10.16 Addendum No. 2, dated July 9, 2013, to Shipbuilding Contract for Hull identified therein, as amended, by and among Meyer Werft GMBH, the Buyer and NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.’s Form 10-Q filed on July 31, 2014 (File No. 001-35784))+

10.17 Addendum No. 3, dated May 22, 2014, to Shipbuilding Contract for Hull identified therein, as amended, by and among Meyer Werft GMBH, the Buyer and NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.’s Form 10-Q filed on July 31, 2014 (File No. 001-35784))+

Table of Contents

Exhibit Number	Description of Exhibit
10.18	Addendum No. 4, dated January 30, 2015, to Shipbuilding Contract for Hull identified therein, as amended, by and among Meyer Werft GMBH & Co. KG, the Buyer and NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.4 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on May 8, 2015 (File No. 001-35784))+
10.19	€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)) +
10.20	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)) +
10.21	€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)) +
10.22	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))
10.23	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)) +
10.24	€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)) +
10.25	€590.5 million Breakaway Four Credit Agreement, dated October 12, 2012, by and among Breakaway Four, Ltd. and various other lenders therein defined and a related Guaranty by NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.18 to NCL Corporation Ltd.'s report on Form 6-K/A filed on January 8, 2013 (File No. 333-128780)) +
10.26	Amended and Restated Credit Agreement, dated as of October 31, 2014, but effective as of November 19, 2014, by and among NCL Corporation Ltd., as borrower, JPMorgan Chase Bank, N.A., as administrative agent and as collateral agent, DNB Bank ASA and Nordea Bank Finland Plc, New York Branch, as co-syndication agents, and a syndicate of other banks party thereto as joint bookrunners, arrangers,

co-documentation agents and lenders (incorporated herein by reference to Exhibit 10.66 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2015 (File No. 001-35784))+ †

10.27 Term B Incremental Assumption Agreement, dated as of November 19, 2014, by and among JPMorgan Chase Bank, N.A., as the Term B lender and administrative agent, NCL Corporation Ltd and Voyager Vessel Company, LLC, as the borrowers (incorporated herein by reference to Exhibit 10.67 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2015 (File No. 001-35784))+

10.28 Addendum No. 2, dated July 8, 2014, to Shipbuilding Contract for Hull identified therein, as amended, by and among Meyer Werft GmbH, Seahawk One, Ltd. and NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on October 31, 2014 (File No. 001-35784))+

10.29 Addendum No. 2, dated July 8, 2014, to Shipbuilding Contract for Hull identified therein, as amended, by and among Meyer Werft GmbH, Seahawk Two, Ltd. and NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on October 31, 2014 (File No. 001-35784))+

10.30 Addendum No. 3, dated September 10, 2015, to Shipbuilding Contract for Hull identified therein, as amended, by and among Meyer Werft GmbH & Co. KG, Seahawk One, Ltd. and NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.6 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on November 4, 2015 (File No. 001-35784))+

10.31 Addendum No. 3, dated September 10, 2015, to Shipbuilding Contract for Hull identified therein, as amended, by and among Meyer Werft GmbH Co. KG, Seahawk Two, Ltd. and NCL Corporation Ltd. (incorporated herein by reference to Exhibit 10.7 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on November 4, 2015 (File No. 001-35784))+

Table of Contents

Exhibit Number	Description of Exhibit
10.32	€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 10.3 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on October 31, 2014 (File No. 001-35784))+
10.33**	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.#
10.34	€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 10.4 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on October 31, 2014 (File No. 001-35784))+
10.35**	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.#
10.36	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))+†
10.37	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))+
10.38	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 Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2015 (File No. 001-35784))+†
10.39	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))+

10.40 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))+†

10.41 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))

10.42 Shipbuilding Contract, dated June 21, 2013, between Fincantieri Cantieri Navali Italiani SpA and Explorer New Build, LLC (incorporated herein by reference to Exhibit 10.78 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2015 (File No. 001-35784))+

Table of Contents

Exhibit Number	Description of Exhibit
10.43	Amended and Restated Regent Trademark License Agreement, dated February 21, 2011, by and between Regent Hospitality Worldwide, LLC and Seven Seas Cruises, S. DE R.L. (incorporated herein by reference to Exhibit 10.17 to Prestige Cruises International, Inc.'s Amendment No. 1 to Form S-1 filed on March 24, 2014 (File No. 333-193479))
10.44	Amended and Restated Employment Agreement by and between NCL (Bahamas) Ltd. and Kevin M. Sheehan, entered into on June 6, 2013, and effective on April 1, 2013 (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s report on Form 10-Q Filed on July 30, 2013 (File No. 001-35784))*
10.45	Separation Agreement and Release among Norwegian Cruise Line Holdings Ltd., NCL (Bahamas) Ltd. and Kevin M. Sheehan, entered into as of January 8, 2015 (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on January 9, 2015 (File No. 001-35784))*
10.46	Employment Agreement by and between NCL (Bahamas) Ltd. and Wendy A. Beck, entered into on September 2, 2015 (incorporated herein by reference to Exhibit 10.4 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on November 4, 2015 (File No. 001-35784))*
10.47	Employment Agreement by and between NCL (Bahamas) Ltd. and Andrew Stuart, entered into on September 2, 2015 (incorporated herein by reference to Exhibit 10.5 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on November 4, 2015 (File No. 001-35784))*
10.48	Employment Agreement by and between NCL (Bahamas) Ltd. and Andrew Madsen, entered into on October 13, 2014 (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 8-K filed on October 14, 2014 (File No. 001-35784))*
10.49**	Employment Agreement by and between Prestige Cruise Services, LLC and Jason M. Montague, entered into on September 17, 2015*
10.50	Amended and Restated Executive Employment Agreement by and between Oceania Cruises, Inc. and Frank J. Del Rio, entered into on June 5, 2014 (incorporated herein by reference to Exhibit 10.1 to Seven Seas Cruises S. DE R.L.'s Form 8-K filed on June 10, 2014 (File No. 333-178244))*
10.51	Letter Regarding Frank Del Rio's Executive Employment Agreement, dated September 2, 2014 (incorporated herein by reference to Exhibit 10.89 to Norwegian Cruise Line Holdings Ltd.'s Form 10-K filed on February 27, 2015 (File No. 001-35784))*
10.52	Letter Regarding Amendment to Frank J. Del Rio's Executive Employment Agreement, dated August 4, 2015 (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on November 4, 2015 (File No. 001-35784))*
10.53	NCL (Bahamas) Ltd. Senior Management Retirement Savings Plan, amended and restated as of January 1, 2008 (incorporated herein by reference to Exhibit 10.67 to amendment no. 3 to NCL Corporation Ltd.'s registration statement on Form S-1 filed on February 11, 2011 (File No. 333-170141))*

- 10.54 NCL (Bahamas) Ltd. Supplemental Executive Retirement Plan, amended and restated as of January 1, 2008 (incorporated herein by reference to Exhibit 10.68 to amendment no. 3 to NCL Corporation Ltd.'s registration statement on Form S-1 filed on February 11, 2011 (File No. 333-170141))*
- 10.55 Form of Indemnification Agreement by and between Norwegian Cruise Line Holdings Ltd. and each of its directors, executive officers and certain other officers (incorporated herein by reference to Exhibit 10.89 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))
- 10.56 Memorandum of Agreement, dated June 1, 2012, and Addendum No. 1 thereto, dated June 1, 2012, entered into by and among Norwegian Sky, Ltd. and the parties named therein (incorporated herein by reference to Exhibit 10.19 to NCL Corporation Ltd.'s report on Form 6-K filed on November 2, 2012 (File No. 333-128780)) +
- 10.57 Norwegian Cruise Line Holdings Ltd. 2013 Performance Incentive Plan (incorporated herein by reference to Exhibit 10.93 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))*
- 10.58 Form of Notice of Grant of Option and Terms and Conditions of Option (incorporated herein by reference to Exhibit 10.1 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on May 8, 2013 (File No. 001-35784))*
- 10.59 Form of Director Restricted Share Award Agreement (incorporated herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on July 30, 2013 (File No. 001-35784))*

Table of Contents

Exhibit Number	Description of Exhibit
10.60	Norwegian Cruise Line Holdings Ltd. Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.3 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on July 31, 2014 (File No. 001-35784)) *
10.61**	Directors' Compensation Policy (effective November 11, 2015)*
10.62**	Form of Director Restricted Share Unit Award Agreement*
10.63	Form of Norwegian Cruise Line Holdings Ltd. Time and Performance-based Restricted Share Unit Award Agreement (incorporated herein by reference to Exhibit 10.2 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on November 4, 2015 (File No. 001-35784))*
10.64	Form of Notice of Grant of Norwegian Cruise Line Holdings Ltd. Time and Performance-based Option and Terms and Conditions (incorporated herein by reference to Exhibit 10.3 to Norwegian Cruise Line Holdings Ltd.'s Form 10-Q filed on November 4, 2015 (File No. 001-35784))*
21.1**	List of Subsidiaries of Norwegian Cruise Line Holdings Ltd.
23.1**	Consent of PricewaterhouseCoopers LLP, independent registered certified public accounting firm
24.1**	Power of Attorney (included on Signatures page of this annual Report on Form 10-K)
31.1**	Certification of the Annual Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the President and Chief Executive Officer
31.2**	Certification of the Annual Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Executive Vice President and Chief Financial Officer
32.1***	Certification of the Annual Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer and Chief Financial Officer
101**	The following materials from Norwegian Cruise Line Holdings Ltd.'s annual Report on Form 10-K formatted in Extensible Business Reporting Language (XBRL), as follows: (i) Consolidated Statements of Operations of NCLH for the years ended December 31, 2015, 2014 and 2013; (ii) Consolidated Statements of Comprehensive Income of NCLH for the years ended December 31, 2015, 2014 and 2013; (iii) Consolidated Balance Sheets of NCLH as of December 31, 2015 and 2014; (iv) Consolidated Statements of Cash Flows of NCLH for the years ended December 31, 2015, 2014 and 2013; (v) Consolidated Statements of Changes in Shareholders' Equity of NCLH for the years ended December 31, 2015, 2014 and 2013; (vi) the Notes to the Consolidated Financial Statements; and (vii) Schedule II Valuation and Qualifying Accounts tagged in summary and detail.

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

[#] Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the SEC.

†

*

Agreement restates previous versions of agreement.

Management contract or compensatory plan.

Filed herewith.

Furnished herewith.

**

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

Description	Balance 12/31/12	Additions		Deductions (a)	Balance 12/31/13
		Charged to costs and expenses	Charged to other accounts -		
Valuation allowance on deferred tax assets	\$ 113,195	\$ —	\$ —	\$ (28,500)) \$ 84,695

Description	Balance 12/31/13	Additions		Deductions (a)	Balance 12/31/14
		Charged to costs and expenses	Charged to other accounts -		
Valuation allowance on deferred tax assets	\$ 84,695	\$ —	\$ 47,032	\$ (50,023)) \$ 81,704

Description	Balance 12/31/14	Charged to costs and expenses	Charged to other accounts -	Deductions (a)	Balance 12/31/15

(a) Amount relates to (i) utilization of deferred tax assets and (ii) revaluation of deferred tax assets from their functional currency to USD.

Table of Contents

Index to Consolidated Financial Statements

	Page
<u>Report of Independent Registered Certified Public Accounting Firm</u>	F-1
<u>Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013</u>	F-2
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013</u>	F-3
<u>Consolidated Balance Sheets as of December 31, 2015 and 2014</u>	F-4
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013</u>	F-5
<u>Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013</u>	F-6
<u>Notes to the Consolidated Financial Statements</u>	F-7

Table of Contents

Report of Independent Registered Certified Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows present fairly, in all material respects, the financial position of Norwegian Cruise Line Holdings Ltd. and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the consolidated financial statement schedule listed in the index appearing under Item 15 (2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

Miami, Florida

February 29, 2016

F-1

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

	Year Ended December 31,		
	2015	2014	2013
Revenue			
Passenger ticket	\$3,129,075	\$2,176,153	\$1,784,439
Onboard and other	1,215,973	949,728	785,855
Total revenue	4,345,048	3,125,881	2,570,294
Cruise operating expense			
Commissions, transportation and other	765,298	503,722	455,816
Onboard and other	272,802	224,000	195,526
Payroll and related	666,110	452,647	340,430
Fuel	358,650	326,231	303,439
Food	179,641	168,240	136,785
Other	412,948	271,784	225,663
Total cruise operating expense	2,655,449	1,946,624	1,657,659
Other operating expense			
Marketing, general and administrative	554,999	403,169	301,155
Depreciation and amortization	432,114	273,147	215,593
Total other operating expense	987,113	676,316	516,748
Operating income	702,486	502,941	395,887
Non-operating income (expense)			
Interest expense, net	(221,909)	(151,754)	(282,602)
Other income (expense)	(46,668)	(10,853)	1,403
Total non-operating income (expense)	(268,577)	(162,607)	(281,199)
Net income before income taxes	433,909	340,334	114,688
Income tax benefit (expense)	(6,772)	2,267	(11,802)
Net income	427,137	342,601	102,886
Net income attributable to non-controlling interest	—	4,249	1,172
Net income attributable to Norwegian Cruise Line Holdings Ltd.	\$427,137	\$338,352	\$101,714
Weighted-average shares outstanding			
Basic	226,591,437	206,524,968	202,993,839
Diluted	230,040,132	212,017,784	209,239,484
Earnings per share			
Basic	\$1.89	\$1.64	\$0.50
Diluted	\$1.86	\$1.62	\$0.49

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

F-2

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

	Year Ended December 31,		
	2015	2014	2013
Net income	\$427,137	\$342,601	\$102,886
Other comprehensive income (loss):			
Shipboard Retirement Plan	1,102	(2,311)	2,538
Cash flow hedges:			
Net unrealized gain (loss) related to cash flow hedges	(262,852)	(238,436)	2,247
Amount realized and reclassified into earnings	91,742	13,354	(4,128)
Total other comprehensive income (loss)	(170,008)	(227,393)	657
Total comprehensive income	257,129	115,208	103,543
Comprehensive income attributable to non-controlling interest	—	2,808	900
Comprehensive income attributable to Norwegian Cruise Line Holdings Ltd.	\$257,129	\$112,400	\$102,643

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

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

	December 31,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 115,937	\$ 84,824
Accounts receivable, net	44,996	32,432
Inventories	58,173	56,555
Prepaid expenses and other assets	121,305	109,924
Total current assets	340,411	283,735
Property and equipment, net	9,458,805	8,623,773
Goodwill	1,388,931	1,388,931
Tradenames	817,525	817,525
Other long-term assets	259,085	355,032
Total assets	\$ 12,264,757	\$ 11,468,996
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 629,840	\$ 576,947
Accounts payable	51,369	101,983
Accrued expenses and other liabilities	640,568	552,514
Due to Affiliate	20,769	37,948
Advance ticket sales	1,023,973	817,207
Total current liabilities	2,366,519	2,086,599
Long-term debt	5,767,697	5,503,076
Due to Affiliate	—	18,544
Other long-term liabilities	349,661	341,964
Total liabilities	8,483,877	7,950,183
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Ordinary shares, \$.001 par value; 490,000,000 shares authorized; 232,179,786 shares issued and 227,815,301 shares outstanding at December 31, 2015 and 230,116,780 shares issued and 227,630,430 shares outstanding at December 31, 2014	232	230
Additional paid-in capital	3,814,536	3,702,344
Accumulated other comprehensive income (loss)	(412,650)	(242,642)
Retained earnings	568,018	140,881
Treasury shares (4,364,485 and 2,486,350 ordinary shares at December 31, 2015 and December 31, 2014, respectively, at cost)	(189,256)	(82,000)
Total shareholders' equity	3,780,880	3,518,813
Total liabilities and shareholders' equity	\$ 12,264,757	\$ 11,468,996

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

F-4

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

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities			
Net income	\$427,137	\$342,601	\$102,886
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	450,335	304,877	245,111
Loss (gain) on derivatives	26,525	7,274	(861)
Deferred income taxes, net	1,269	6,187	2,844
Gain on contingent consideration	(43,400)	—	—
Write-off of financing fees	4,070	15,628	36,357
Provision for bad debts and inventory	5,029	—	—
Share-based compensation expense	42,209	14,617	23,075
Changes in operating assets and liabilities excluding the impact of the Acquisition of Prestige:			
Accounts receivable, net	(14,803)	(7,256)	(3,198)
Inventories	(4,408)	(261)	(4,034)
Prepaid expenses and other assets	(10,325)	(6,373)	(15,667)
Accounts payable	(50,730)	315	7,662
Accrued expenses and other liabilities	(8,343)	(18,061)	25,925
Advance ticket sales	218,260	(23,947)	55,181
Payment of original issue discount	(1,647)	—	—
Net cash provided by operating activities	1,041,178	635,601	475,281
Cash flows from investing activities			
Acquisition of Prestige, net of cash received	—	(826,686)	—
Additions to property and equipment, net	(1,121,984)	(964,640)	(877,282)
Settlement of derivatives	(83,519)	(5,334)	(17,569)
Investment in intangible asset	(750)	—	—
Net cash used in investing activities	(1,206,253)	(1,796,660)	(894,851)
Cash flows from financing activities			
Repayments of long-term debt	(1,569,313)	(1,688,720)	(2,393,613)
Repayments to Affiliate	(37,042)	(37,043)	(116,694)
Proceeds from long-term debt	1,855,809	3,107,721	2,522,311
Proceeds from the issuance of ordinary shares, net	—	—	473,914
Proceeds from the exercise of share options	69,127	5,857	2,020
Proceeds from employee share purchase plan	858	—	—
Purchases of treasury shares	(107,256)	(82,000)	—
NCLC partnership tax distributions	—	(218)	—
Deferred financing fees and other	(15,995)	(116,181)	(57,401)

Edgar Filing: CINCINNATI FINANCIAL CORP - Form S-3/A

Net cash provided by financing activities	196,188	1,189,416	430,537
Net increase in cash and cash equivalents	31,113	28,357	10,967
Cash and cash equivalents at beginning of year	84,824	56,467	45,500
Cash and cash equivalents at end of year	\$115,937	\$84,824	\$56,467
Supplemental disclosures (Note 15)			

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

F-5

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

	Ordinary Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Shares	Non-controlling Interest	Total Shareholders' Equity
Balance, December 31, 2012	\$ 25	\$2,327,097	\$ (17,619)	\$(299,185)	\$—	\$ 8,466	\$ 2,018,784
Share-based compensation	—	33,056	—	—	—	19	33,075
Transactions with Affiliates, net	—	(70)	—	—	—	—	(70)
Corporate Reorganization	—	(20,176)	—	—	—	20,176	—
IPO proceeds, net	179	473,735	—	—	—	—	473,914
Proceeds from the exercise of share options	1	2,019	—	—	—	—	2,020
Other comprehensive income	—	—	929	—	—	(272)	657
Net income	—	—	—	101,714	—	1,172	102,886
Transfers from non-controlling interest	—	7,203	—	—	—	(7,203)	—
Balance, December 31, 2013	205	2,822,864	(16,690)	(197,471)	—	22,358	2,631,266
Share-based compensation	—	14,617	—	—	—	—	14,617
Transactions with Affiliates, net	—	(59)	—	—	—	—	(59)
NCLC partnership tax distributions	—	—	—	—	—	(218)	(218)
Proceeds from the exercise of share options	1	5,856	—	—	—	—	5,857
Treasury shares	—	—	—	—	(82,000)	—	(82,000)
Acquisition of Prestige	20	834,122	—	—	—	—	834,142
Other comprehensive loss	—	—	(225,952)	—	—	(1,441)	(227,393)
Net income	—	—	—	338,352	—	4,249	342,601
Transfers from non-controlling interest	4	24,944	—	—	—	(24,948)	—
	230	3,702,344	(242,642)	140,881	(82,000)	—	3,518,813

Balance, December 31, 2014							
Share-based compensation	—	42,209	—	—	—	—	42,209
Proceeds from the exercise of share options	2	69,125	—	—	—	—	69,127
Proceeds from employee share purchase plan	—	858	—	—	—	—	858
Treasury shares	—	—	—	—	(107,256)	—	(107,256)
Other comprehensive loss	—	—	(170,008)	—	—	—	(170,008)
Net income	—	—	—	427,137	—	—	427,137
Balance, December 31, 2015	\$ 232	\$3,814,536	\$ (412,650)	\$568,018	\$(189,256)	\$ —	\$ 3,780,880

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

Table of Contents

Norwegian Cruise Line Holdings Ltd.

Notes to the Consolidated Financial Statements

1. Description of Business and Organization

NCLH is a leading global cruise company which operates the Norwegian Cruise Line, Oceania Cruises and Regent Seven Seas Cruises brands. We have 22 ships with approximately 45,000 Berths and will introduce five additional ships through 2019. Our ships currently offer itineraries to more than 510 destinations worldwide.

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 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. On January 24, 2013, NCLH consummated the IPO. In connection with the consummation of the IPO, the Sponsors' ordinary shares in NCLC were exchanged for the ordinary shares of NCLH at a share exchange ratio of 1.0 to 8.42565 and NCLH became the owner of 100% of the ordinary shares and parent company of NCLC (the "Corporate Reorganization"). Accordingly, NCLH contributed \$460.0 million to NCLC and the historical financial statements of NCLC became those of NCLH. The Corporate Reorganization was effected solely for the purpose of reorganizing our corporate structure. NCLH had not prior to the completion of the Corporate Reorganization conducted any activities other than those incidental to its formation and to preparations for the Corporate Reorganization and IPO. The Corporate Reorganization resulted in all parties being in the same economic position as they were immediately prior to the IPO. As the economic position of the investors did not change as part of the Corporate Reorganization it is considered a nonsubstantive merger from an accounting perspective.

As a result of the Corporate Reorganization, 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." The NCL Corporation Units held by NCLH (as a result of its ownership of 100% of the ordinary shares of NCLC) represented a 97.3% economic interest in NCLC as of the consummation of the IPO. The remaining 2.7% economic interest in NCLC as of the

consummation of the IPO was in the form of Management NCL Corporation Units held by management (or former management).

In November 2014, we completed the Acquisition of Prestige.

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 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.

The Sponsors have completed numerous Secondary Equity Offerings and as of December 31, 2015 owned 29.3% of NCLH's ordinary shares (we refer you to Note 8— "Related Party Disclosures").

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Reclassification

Certain amounts in prior periods have been reclassified to conform to the current period presentation.

Table of Contents

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash consists of cash collateral in respect of certain agreements and is included in prepaid expenses and other assets and other long-term assets in our consolidated balance sheets.

Accounts Receivable, Net

Accounts receivable are shown net of an allowance for doubtful accounts of \$3.7 million and \$2.8 million as of December 31, 2015 and 2014, respectively.

Inventories

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

Advertising Costs

Advertising costs are expensed as incurred except for those that result in tangible assets, including brochures, which are treated as prepaid expenses and charged to expense as consumed. Advertising costs of \$12.5 million and \$14.3 million as of December 31, 2015 and 2014, respectively, are included in prepaid expenses and other assets. Expenses related to advertising costs totaled \$232.2 million, \$122.5 million and \$89.0 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Earnings Per Share

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

	Year Ended December 31,		
	2015	2014	2013
Net income attributable to Norwegian Cruise Line Holdings Ltd.	\$427,137	\$338,352	\$101,714
Net income	\$427,137	\$342,601	\$102,886
Basic weighted-average shares outstanding	226,591,437	206,524,968	202,993,839
Potentially dilutive shares	3,448,695	5,492,816	6,245,645
Diluted weighted-average shares outstanding	230,040,132	212,017,784	209,239,484
Basic EPS	\$1.89	\$1.64	\$0.50
Diluted EPS	\$1.86	\$1.62	\$0.49

Property and Equipment, Net

Property and equipment are recorded at cost. Major renewals and improvements that we believe add value to our ships are capitalized as a cost of the ship while costs of repairs and maintenance, including Dry-dock costs, are charged to expense as incurred. During ship construction, certain interest is capitalized as a cost of the ship. Gains or losses on the sale of property and equipment are recorded as a component of operating income (expense) in our consolidated statements of operations.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets and after a 15% reduction for the estimated residual values of ships as follows:

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

Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or related asset life.

Long-lived assets are reviewed for impairment, based on estimated future cash flows, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets are grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. We consider historical performance and future estimated results in our evaluation of potential impairment and then compare the carrying amount of the asset to the estimated future cash flows expected to result from the use of the asset. If the carrying

F-8

Table of Contents

amount of the asset exceeds estimated expected undiscounted future cash flows, we measure the amount of the impairment by comparing the carrying amount of the asset to its fair value. We estimate fair value based on the best information available making whatever estimates, judgments and projections are considered necessary. The estimation of fair value is generally measured by discounting expected future cash flows at discount rates commensurate with the risk involved.

Goodwill and Tradenames

Goodwill represents the excess of cost over the fair value of net assets acquired. Goodwill and other indefinite-lived assets, principally tradenames, are reviewed for impairment on an annual basis or earlier if there is an event or change in circumstances that would indicate that the carrying value of these assets could not be fully recovered. 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 as well as others:

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 also may conduct a quantitative assessment comparing the fair value of each reporting unit to its carrying value, including goodwill. This is called the Step I Test which consists of a combined approach using the expected future cash flows and market multiples to determine the fair value of the reporting units. Our discounted cash flow valuation reflects our projection for growth and profitability, taking into account our assessment of future market conditions and

demand, as well as a determination of a cost of capital that incorporates both business and financial risks. We believe that the combined approach is the most representative method to assess fair value as it utilizes expectations of long-term growth as well as current market conditions.

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

Revenue and Expense Recognition

Deposits received from guests for future voyages are recorded as advance ticket sales and are subsequently recognized as passenger ticket revenue along with onboard and other revenue, and all associated direct costs of a voyage are recognized as cruise operating expenses on a pro-rata basis over the period of the voyage.

Revenue and expenses include port fees and taxes. The amounts included on a gross basis are \$242.1 million, \$212.3 million and \$172.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Foreign Currency

The majority of our transactions are settled in U.S. dollars. We translate assets and liabilities of our foreign subsidiaries at exchange rates in effect at the balance sheet date. Gains or losses resulting from transactions denominated in other currencies are recognized in our consolidated statements of operations within other income (expense) and such gains were approximately \$11.0 million, \$6.0 million and \$0.4 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Derivative Instruments and Hedging Activity

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

A derivative instrument that hedges a forecasted transaction or the variability of cash flows related to a recognized asset or liability may be designated as a cash flow hedge. Changes in fair value of derivative instruments that are designated as cash flow hedges are recorded as a component of accumulated other comprehensive income (loss) until the underlying hedged transactions are recognized in earnings. To the extent that an instrument is not effective as a hedge, gains and losses are recognized in other

F-9

Table of Contents

income (expense) in our consolidated statements of operations. Realized gains and losses related to our effective fuel hedges are recognized in fuel expense. For presentation in our consolidated statements of cash flows, we have elected to classify the cash flows from our cash flow hedges in the same category as the cash flows from the items being hedged.

Concentrations of Credit Risk

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

Insurance

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

Income Taxes

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

We provide a valuation allowance on deferred tax assets when it is more likely than not that such assets will not be realized. With respect to acquired deferred tax assets, future reversals of the valuation allowance will first be applied against goodwill and other intangible assets before recognition of a benefit in our consolidated statements of operations.

Share-Based Compensation

We recognize expense for our share-based compensation awards using a fair-value-based method. Share-based compensation expense is recognized over the requisite service period for awards that are based on service period and not contingent upon any future performance. We refer you to Note 10—“Employee Benefits and Share Option Plans.”

Segment Reporting

We have concluded that our business has a single reportable segment. Each brand, Oceania Cruises, Regent and Norwegian, constitutes a business for which discrete financial information is available and management regularly reviews the operating results and, therefore, each brand is considered an operating segment. Our operating segments have similar economic and qualitative characteristics, including similar 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 75%, 73 % and 74% for the years ended December 31, 2015, 2014 and 2013, respectively. No other individual country’s revenues exceeded 10% in any of our last three years. Substantially all of our long-lived assets are located outside of the U.S. and consist primarily of our ships. We have 16 ships with Bahamas registry with a carrying value of \$7.2 billion and \$6.4 billion as of December 31, 2015 and 2014, respectively. We have five ships with Marshall Island registry with a carrying value of \$1.4 billion as of December 31, 2015 and 2014. We also have one ship with U.S. registry with a carrying value of \$0.3 billion as of December 31, 2015 and 2014 and one ship with Bermuda registry with a carrying value of \$0.08 billion as of December 31, 2015 and 2014.

Recently Issued Accounting Policies

In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-11 to simplify the measurement of inventory for all entities. This applies to all inventory that is measured using either the first-in, first-out or average cost method. The guidance requires an entity to measure inventory at the lower of cost or net realizable value. The guidance must be applied prospectively and will be effective for our interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted as of the beginning of an interim or annual reporting period. We are currently evaluating the impact of the adoption of this newly issued guidance to our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05 to clarify a customer's accounting for fees paid in a cloud computing arrangement. The amendments provide guidance to customers about whether a cloud computing arrangement includes a software license or if the arrangement should be accounted for as a service contract. This guidance will impact the accounting of software licenses but will not change a customer's accounting for service contracts. The guidance will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted.

F-10

Table of Contents

An entity can elect to adopt the amendments either prospectively or retrospectively. We are currently evaluating the impact, if any, of the adoption of this newly issued guidance to our consolidated financial statements.

In May 2014, FASB issued ASU No. 2014-09 which requires entities to recognize revenue through the application of a five-step model, including identification of the contract, identification of the performance obligations, determination of the transaction price, allocation of the transaction price to the performance obligation and recognition of revenue as the entity satisfies the performance obligations. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance. In August 2015, the FASB issued ASU No. 2015-14 deferring the effective date for one year. We can elect to adopt the provisions of ASU No. 2014-09 for annual periods beginning after December 15, 2017 including interim periods within that reporting period or we can elect to early adopt the guidance as of the original effective date. We are currently evaluating the impact of the adoption of this newly issued guidance to our consolidated financial statements.

3. Goodwill and Intangible Assets

Goodwill and tradenames are not subject to amortization, therefore, as of December 31, 2015 and 2014 the carrying values were \$1.4 billion and \$0.8 billion, respectively. We revised the classification of goodwill and intangible assets to separately present goodwill and tradenames. Other intangible assets consisting of customer relationships and backlog are presented within other long-term assets. The revision was not deemed material to the Consolidated Balance Sheet.

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

	December 31, 2015			Weighted-Average Amortization Period (Years)
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Customer relationship	\$ 120,000	\$ (15,527)	\$ 104,473	6.0
Backlog	70,000	(70,000)	—	1.0
Licenses	3,368	(208)	3,160	5.6
Total intangible assets subject to amortization	\$ 193,368	\$ (85,735)	\$ 107,633	
License (Indefinite-lived)	\$ 4,427	\$ —	\$ —	

December 31, 2014

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted- Average Amortization Period (Years)
Customer relationship	\$ 120,000	\$ (4,556)	\$ 115,444	6.0
Backlog	70,000	(7,972)	62,028	1.0
Total intangible assets subject to amortization	\$ 190,000	\$ (12,528)	\$ 177,472	
License (Indefinite-lived)	\$4,427	\$ —	\$ —	

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

	Year Ended December 31,	
	2015	2014
Amortization expense	\$73,207	\$12,528

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

Year ended December 31,	Amortization Expense
2016	\$ 21,659
2017	31,177
2018	26,058
2019	18,489
2020	9,906

Table of Contents

4. The Acquisition of Prestige

On September 2, 2014, NCLH entered into an agreement with funds affiliated with Apollo and other owners to acquire 100% of the equity of Prestige.

The Acquisition of Prestige and the principal factors that contribute to the recognition of goodwill are enhancements of our financial profile by creating a company with increased economies of scale, greater operating leverage and synergies. These synergies include revenue enhancements and opportunities for savings in various areas. The Acquisition of Prestige also creates a company with greater cash flow generation, accelerating the ability to delever our balance sheet.

On November 19, 2014, we completed the Acquisition of Prestige. Consideration consisted of \$1.1 billion in cash and non-cash considerations of 19,969,889 NCLH ordinary shares valued at \$834.1 million based on the closing market price of NCLH's shares as of November 18, 2014 and contingent consideration valued at \$43.4 million. In addition, we assumed debt of \$1.6 billion from Prestige. The contingent consideration arrangement subjected NCLH to an additional cash payment of up to \$50 million upon achievement of certain 2015 revenue milestones. The contingent consideration was valued using various projected 2015 revenue scenarios weighted by the likelihood of each scenario occurring. The probability weighted payout was then discounted at an appropriate discount rate commensurate for the risk of meeting the probabilistic cash flows. For more on the contingent consideration valuation, we refer you to "Valuation of Contingent Consideration" below.

Prestige is reported in our results of operations from the acquisition date which includes approximately \$111.7 million of revenue and approximately \$19.7 million of operating loss related to Prestige for the period ended December 31, 2014.

The excess of the cost of acquisition over the net of amounts assigned to the fair value of the assets acquired and the liabilities assumed is recorded as goodwill, which is not expected to be deductible for tax purposes.

Based on this fair valuation, the purchase price is allocated as follows (in thousands):

Consideration Allocated:

Accounts receivable	\$6,916
Inventories	12,579
Prepaid expenses and other assets	48,670
Amortizable intangible assets	190,000
Property and equipment	2,175,039
Goodwill and tradenames	1,595,126
Other long-term assets	15,607
Current portion of long-term debt	(97,006)
Accounts payable	(14,880)
Accrued expenses and other liabilities	(190,256)
Advance ticket sales	(439,313)
Long-term debt	(1,456,038)
Other long-term liabilities	(142,216)
Total consideration allocated, net of \$295.8 million of cash acquired	\$1,704,228

Goodwill and intangible assets acquired include the following (in thousands):

Goodwill	\$985,126
Tradenames (indefinite lived)	610,000
Backlog (1 year amortization period)	70,000
Customer relationships (6 year amortization period)	120,000

Pro forma Financial Information (unaudited)

The following unaudited pro forma financial information presents the combined results of operations of NCLH and Prestige as if the Acquisition of Prestige had occurred on January 1, 2013. The pro forma results presented below for 2014 and 2013 combine the historical results of NCLH and Prestige for 2014 and 2013. The unaudited pro forma financial information is not intended to represent or be indicative of our consolidated results of operations or financial condition that would have been reported had the Acquisition of Prestige been completed as of January 1, 2013 and should not be taken as indicative of our future consolidated results of operations or financial condition.

Table of Contents

The unaudited pro forma financial information was as follows (in thousands, except per share data):

	Year Ended December 31,	
	2014	2013
Total revenue	\$4,310,079	\$3,704,692
Net income (loss) attributable to Norwegian Cruise Line Holdings Ltd.	497,020	(683)
Earnings per share:		
Basic	\$2.21	\$—
Dilutive	\$2.19	\$—

The unaudited pro forma financial information includes non-recurring pro forma adjustments of \$57.5 million in acquisition related expenses within marketing, general and administrative expense, a purchase price adjustment decreasing passenger ticket revenue by \$48.9 million, \$15.4 million of expenses related to financing transactions in conjunction with the Acquisition of Prestige within interest expense and \$70.0 million of amortization related to the backlog intangible asset in the year ended December 31, 2013.

Valuation of Contingent Consideration

The contingent consideration is valued using various projected 2015 net revenue scenarios weighted by the likelihood of each scenario occurring. The probability-weighted payout is then discounted at an appropriate discount rate commensurate for the risk of meeting the probabilistic cash flows. As the fair value is measured based upon significant inputs that are unobservable in the market, it was classified as Level 3 in the fair value hierarchy. Level 3 consists of significant unobservable inputs we believe market participants would use in pricing the asset or liability based on the best information available. The significant unobservable inputs used in the fair value measurement of the Company's contingent consideration are the estimated annual net revenue and the probabilities associated with attaining the threshold and target net revenue as defined by the Merger Agreement. A significant increase in the estimated net revenue or an increase in the probability associated with reaching the target would result in a significantly higher fair value measurement. The maximum fair value would not be able to exceed \$50 million, while an amount of net revenue less than 98% of target would result in no payout. For the year ended December 31, 2015, the fair value of the contingent consideration was reduced to zero based upon updates to the probability-weighted assessment of various projected revenue scenarios. The net revenue target was not met, and accordingly, we recognized a \$43.4 million fair value adjustment during the year ended December 31, 2015, which was included in marketing, general and administrative expense.

The following table summarizes the change in fair value of the contingent consideration liability (in thousands):

	Contingent Consideration Liability
Balance as of December 31, 2014	\$ 43,400
Fair value adjustment (Level 3)	(43,400)
Balance as of December 31, 2015	\$ —

5. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) for the year ended December 31, 2015 was as follows (in thousands):

	Accumulated Other Comprehensive Income (Loss)	Change Related to Cash Flow Hedges	Change Related to Shipboard Retirement Plan
Accumulated other comprehensive income (loss) at beginning of period	\$ (242,642)	\$ (234,188)	\$ (8,454)
Current period other comprehensive loss before reclassifications	(262,227)	(262,852)	625
Amounts reclassified	92,219	91,742 (1)	477 (2)
Accumulated other comprehensive income (loss) at end of period	\$ (412,650)	\$ (405,298)(3)	\$ (7,352)

(1) We refer you to Note 9—"Fair Value Measurements and Derivatives" for the affected line items in the consolidated statements of operations.

(2) Amortization of prior-service cost and actuarial loss reclassified to payroll and related expense.

(3) Of the existing amounts related to derivatives designated as cash flow hedges, approximately \$135.2 million of loss is expected to be reclassified into earnings in the next 12 months.

Accumulated other comprehensive income (loss) for the year ended December 31, 2014 was as follows (in thousands):

	Accumulated Other Comprehensive Income (Loss)	Change Related to Cash Flow Hedges	Change Related to Shipboard Retirement Plan
Accumulated other comprehensive income (loss) at beginning of period	\$ (16,690)	\$ (10,532)	\$ (6,158)
Current period other comprehensive loss before reclassifications	(239,597)	(236,925)	(2,672)
Amounts reclassified	13,645	13,269 (1)	376 (2)
Accumulated other comprehensive income (loss) at end of period	\$ (242,642)	\$ (234,188)	\$ (8,454)

F-13

Table of Contents

(1) We refer you to Note 9—“Fair Value Measurements and Derivatives” for the affected line items in the consolidated statements of operations.

(2) Amortization of prior-service cost and actuarial loss reclassified to payroll and related expense.

Accumulated other comprehensive income (loss) for the year ended December 31, 2013 was as follows (in thousands):

	Accumulated Other Comprehensive Income (Loss)	Change Related to Cash Flow Hedges	Change Related to Shipboard Retirement Plan
Accumulated other comprehensive income (loss) at beginning of period	\$ (17,619)	\$ (7,872)	\$ (9,747)
Current period other comprehensive income before reclassifications	6,104	3,177	2,927
Amounts reclassified	(5,175)	(5,837)	662 (2)
Accumulated other comprehensive income (loss) at end of period	\$ (16,690)	\$ (10,532)	\$ (6,158)

(1) We refer you to Note 9—“Fair Value Measurements and Derivatives” for the affected line items in the consolidated statements of operations.

(2) Amortization of prior-service cost and actuarial loss reclassified to payroll and related expense.

6. Property and Equipment, Net

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

	December 31,	
	2015	2014
Ships	\$10,765,525	\$9,706,093
Ships under construction	300,575	290,381
Land	1,009	1,009
Other	434,881	351,377
	11,501,990	10,348,860
Less: accumulated depreciation and amortization	(2,043,185)	(1,725,087)
Property and Equipment, Net	\$9,458,805	\$8,623,773

The increase in Ships was primarily due to the addition of Norwegian Escape. Depreciation and amortization expense for the years ended December 31, 2015, 2014 and 2013 was \$432.1 million, \$273.1 million and \$215.6 million, respectively. Repairs and maintenance expenses including Dry-dock expenses were \$124.8 million, \$69.9 million and \$67.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Ships under construction include progress payments to the shipyard, planning and design fees, loan interest and commitment fees and other associated costs. Interest costs associated with the construction of ships that were capitalized during the construction period amounted to \$31.9 million, \$22.0 million and \$26.3 million for the years ended December 31, 2015, 2014 and 2013, respectively.

F-14

Table of Contents**7. Long-Term Debt**

Long-term debt consisted of the following:

	Interest Rate		Maturities	Balance	
	December 31, 2015	2014		Through	December 31, 2015
				(in thousands)	
\$600.0 million 4.625% senior unsecured notes	4.625	% —	% 2020	\$590,037	\$—
€662.9 million Norwegian Epic term loan (1)	2.43	% 2.02	% 2022	460,870	524,006
\$625.0 million senior secured revolving credit facility	2.78	% 2.16	% 2018	75,000	200,000
\$350.0 million senior secured term loan facility	4.00	% 4.00	% 2021	338,353	340,474
\$1,375.0 million term loan facility	2.85	% 2.17	% 2018	1,185,720	1,301,210
€308.1 million Pride of Hawai'i loan (1)	1.27	% 1.18	% 2018	89,867	123,638
\$300.0 million 5.00% senior unsecured notes (2)	—	5.00	% 2018	—	294,746
\$334.1 million Norwegian Jewel term loan	1.28	% 1.18	% 2017	53,534	78,545
€258.0 million Pride of America Hermes loan (1)	1.64	% 1.19	% 2017	37,778	61,313
€529.8 million Breakaway one loan (1)	1.92	% 1.84	% 2025	522,859	576,266
€529.8 million Breakaway two loan (1)	4.50	% 4.50	% 2026	592,531	647,258
€590.5 million Breakaway three loan (1)	2.98	% 2.98	% 2027	711,187	121,278
€590.5 million Breakaway four loan (1)	2.98	% 2.98	% 2029	108,964	35,057
€126 million Norwegian Jewel term loan (1)	1.27	% 1.18	% 2017	28,649	56,382
€126 million Norwegian Jade term loan (1)	1.27	% 1.18	% 2017	29,149	56,991
€666 million Seahawk 1 term loan (1)	3.92	% 3.92	% 2030	40,845	40,845
€666 million Seahawk 2 term loan (1)	3.92	% 3.92	% 2031	40,845	40,845
\$680 million 5.25% senior unsecured notes	5.25	% 5.25	% 2019	670,059	667,559
Sirena loan	2.75	% 2.75	% 2019	53,229	82,000
Marina newbuild loan (3)	1.01	% 0.88	% 2023	335,135	379,868
Riviera newbuild loan (4)	1.08	% 0.87	% 2024	382,173	427,184
Capital lease and license obligations	1.62%-12.56%	1.62%-12.935%	2022	50,753	24,558
Total debt				6,397,537	6,080,023
Less: current portion of long-term debt				(629,840)	(576,947)
Total long-term debt				\$5,767,697	\$5,503,076

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

(2) Net of unamortized original issue discount of \$1.1 million as of December 31, 2014.

- (3) Includes premium of \$0.3 million and \$0.4 million as of December 31, 2015 and 2014, respectively.
- (4) Includes premium of \$0.4 million and \$0.5 million as of December 31, 2015 and 2014, respectively.

In October 2015, we took delivery of Norwegian Escape. To finance the payment due upon delivery, we drew \$577.2 million of our €590.5 million Breakaway three loan due 2027. The loan bears interest at 2.98%.

In November 2015, we issued the \$600.0 million 4.625% senior unsecured notes due 2020 and redeemed our \$300.0 million 5.00% senior unsecured notes due 2018.

In December 2015, we adopted ASU No. 2015-03 which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. We also adopted ASU No. 2015-15 which allows an entity to defer and present debt issuance costs related to a line of credit arrangement as an asset. These deferred costs are amortized over the life of the loan agreement. We applied this guidance on a retrospective basis.

The following is a reconciliation of changes to our long-term debt due to the adoption of ASU No. 2015-03 (in thousands):

	December 31,	
	2015	2014
Long-term debt balance prior to the adoption of ASU No. 2015-03	\$6,502,834	\$6,184,104
Less: changes due to the adoption of the ASU No. 2015-03	105,297	104,081
Long-term debt balance	\$6,397,537	\$6,080,023

In December 2015, we amended and increased our €666 million Seahawk 1 term loan and our €666 million Seahawk 2 term loan to €710.8 million and €706.8 million, respectively.

Interest expense, net for the year ended December 31, 2015 was \$222.1 million which included \$36.6 million of amortization and a \$12.7 million loss on extinguishment of debt. Interest expense, net for the year ended December 31, 2014 was \$151.8 million which included \$32.3 million of amortization and \$15.4 million of expenses related to financing transactions in connection with the Acquisition of Prestige. For the year ended December 31, 2013, interest expense, net was \$282.6 million which included amortization of \$64.9 million (including a \$37.3 million write-off of deferred financing fees).

Our debt agreements contain covenants that, among other things, require us to maintain a minimum level of liquidity, as well as limit our net funded debt-to-capital ratio, maintain certain other ratios and restrict our ability to pay dividends. Our ships and substantially all other property and equipment are pledged as collateral for substantially all

of our debt. We believe we were in compliance with these covenants as of December 31, 2015.

The following are scheduled principal repayments on long-term debt including capital lease obligations as of December 31, 2015 for each of the next five years (in thousands):

Year	Amount
2016	\$629,840
2017	591,270
2018	1,383,186
2019	1,051,847
2020	963,797
Thereafter	1,882,894
Total	\$6,502,834

F-15

Table of Contents

We had an accrued interest liability of \$34.2 million and \$32.8 million as of December 31, 2015 and 2014, respectively.

8. Related Party Disclosures

Transactions with Genting HK, the Apollo Holders and the TPG Viking Funds

As of December 31, 2015, the ownership percentages of NCLH's ordinary shares were as follows:

Shareholder	Number of Shares	Percentage Ownership	
Genting HK (1)	25,398,307	11.1	%
Apollo Holders (2)	36,103,782	15.8	%
TPG Viking Funds (3)	5,329,834	2.4	%

(1) Genting HK owns our ordinary shares indirectly through Star NCLC Holdings Ltd., a Bermuda wholly-owned subsidiary.

The Apollo Holders include 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., (2) 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.

The TPG Viking Funds include TPG Viking, L.P., a Delaware limited partnership, TPG Viking AIV I, L.P., a (3) Cayman Islands exempted limited partnership, TPG Viking AIV II, L.P., a Cayman Islands exempted limited partnership and TPG Viking AIV III, L.P., a Delaware limited partnership.

In December 2015, we repurchased 348,553 ordinary shares under NCLH's repurchase program as a part of a Secondary Equity Offering by the Apollo Holders and Genting HK for approximately \$20.0 million.

In September 2014, NCLH entered into the Merger Agreement with funds affiliated with Apollo and other owners for total consideration of \$3.025 billion (including assumption of debt) in cash and stock. On November 19, 2014, we completed the Acquisition of Prestige.

In June 2012, we exercised our option with Genting HK to purchase Norwegian Sky. The purchase price was \$259.3 million, which consisted of a \$50.0 million cash payment and a \$209.3 million payable to Genting HK, \$79.7 million of such amount was paid to Genting HK within fourteen days of the consummation of the IPO, together with accrued interest thereon, and the remaining balance is to be repaid over seven equal semi-annual payments the first of which was due and paid in June 2013 and has a weighted-average interest rate of 1.52% through maturity. The fair value of the payable was \$205.5 million based on discounting the future payments at an imputed interest rate of 2.26% per annum, which was commensurate with the Company's borrowing rate for similar assets. The payable is collateralized by a mortgage and an interest in all earnings, proceeds of insurance and certain other interests related to the ship and is included in the balance sheet caption "Due to Affiliate" on our consolidated balance sheets. We have paid \$240.8 million to Genting HK in connection with the Norwegian Sky Purchase Agreement through December 31, 2015.

9. Fair Value Measurements and Derivatives

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

Fair Value Hierarchy

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

Level 1 Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement dates.

Level 2 Significant other observable inputs that are used by market participants in pricing the asset or liability based on market data obtained from independent sources.

Table of Contents

Level 3 Significant unobservable inputs we believe market participants would use in pricing the asset or liability based on the best information available.

Derivatives

We are exposed to market risk attributable to changes in interest rates, foreign currency exchange rates and fuel prices. We attempt to minimize these risks through a combination of our normal operating and financing activities and through the use of derivatives. We assess whether derivatives used in hedging transactions are “highly effective” in offsetting changes in the cash flow of our hedged forecasted transactions. We use regression analysis for this hedge relationship and high effectiveness is achieved when a statistically valid relationship reflects a high degree of offset and correlation between the fair values of the derivative and the hedged forecasted transaction. Cash flows from the derivatives are classified in the same category as the cash flows from the underlying hedged transaction. The determination of ineffectiveness is based on the amount of dollar offset between the cumulative change in fair value of the derivative and the cumulative change in fair value of the hedged transaction at the end of the reporting period. If it is determined that a derivative is not highly effective as a hedge, or if the hedged forecasted transaction is no longer probable of occurring, then the amount recognized in accumulated other comprehensive income (loss) is released to earnings. In addition, the ineffective portion of our highly effective hedges is recognized in earnings immediately and reported in other income (expense) in our consolidated statements of operations. There are no amounts excluded from the assessment of hedge effectiveness and there are no credit-risk-related contingent features in our derivative agreements.

We monitor concentrations of credit risk associated with financial and other institutions with which we conduct significant business. Credit risk, including but not limited to counterparty non-performance under derivatives and our revolving credit facility, is not considered significant, as we primarily conduct business with large, well-established financial institutions that we have established relationships with and that have credit risks acceptable to us or the credit risk is spread out among a large number of creditors. We do not anticipate non-performance by any of our significant counterparties.

The following table sets forth our derivatives measured at fair value and discloses the balance sheet location (in thousands):

Balance Sheet location	Asset		Liability	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Fuel swaps designated as hedging instruments				
Accrued expenses and other liabilities	\$—	\$ —	\$ 128,740	\$ 111,304

Foreign currency forward contracts designated as hedging instruments	Other long-term liabilities	—	190	132,494	77,250
	Other long-term assets	3,446	—	1,370	—
Foreign currency collar not designated as a hedging instrument	Accrued expenses and other liabilities	—	—	8,737	29,498
	Other long-term liabilities	551	—	24,181	118
Interest rate swaps designated as hedging instruments	Accrued expenses and other liabilities	—	—	42,993	—
	Other long-term liabilities	—	—	—	16,744
Interest rate swap not designated as a hedging instrument	Accrued expenses and other liabilities	—	—	4,079	5,736
	Other long-term liabilities	—	—	3,395	3,104
	Accrued expenses and other liabilities	—	—	—	3,823

The fair values of swap and forward contracts are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. The Company determines the value of options and collars

Table of Contents

utilizing an option pricing model based on inputs that are either readily available in public markets or can be derived from information available in publicly quoted markets. The option pricing model used by the Company is an industry standard model for valuing options and is used by the broker/dealer community. The inputs to this option pricing model are the option strike price, underlying price, risk-free rate of interest, time to expiration, and volatility. The fair value of option contracts considers both the intrinsic value and any remaining time value associated with those derivatives that have not yet settled. The Company also considers counterparty credit risk and its own credit risk in its determination of all estimated fair values. Our derivatives and financial instruments were categorized as Level 2 in the fair value hierarchy, and we had no derivatives or financial instruments categorized as Level 1 or Level 3.

Our derivative contracts include rights of offset with our counterparties when right of offset exists. We have elected to net certain assets and liabilities within counterparties. We are not required to post cash collateral related to our derivative instruments.

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

December 31, 2015	Gross Amounts	Gross Amounts Offset	Total Net Amounts	Gross Amounts Not Offset	Net Amounts
Assets	\$ 3,446	\$ (1,370)	\$2,076	\$ (2,043)	\$ 33
Liabilities	344,619	(551)	344,068	(336,645)	7,423

December 31, 2014	Gross Amounts	Gross Amounts Offset	Total Net Amounts	Gross Amounts Not Offset	Net Amounts
Liabilities	\$ 247,577	\$ (190)	\$247,387	\$ (59,023)	\$ 188,364

Fuel Swaps

As of December 31, 2015, we had fuel swaps maturing through December 31, 2019 which are used to mitigate the financial impact of volatility in fuel prices pertaining to approximately 1.6 million metric tons of our projected fuel purchases.

The effects on the consolidated financial statements of the fuel swaps which were designated as cash flow hedges were as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Gain (loss) recognized in other comprehensive income (loss) – effective portion	\$(173,513)	\$(198,595)	\$8,532
Loss recognized in other income (expense) – ineffective portion	(16,011)	(5,753)	(345)
Amount reclassified from accumulated other comprehensive income (loss) into fuel expense	75,808	8,388	(6,250)

During 2015 certain fuel swaps matured that were previously designated as cash flow hedges and were dedesignated due to a change in our expected future fuel purchases mix.

The effects on the consolidated financial statements of the fuel swaps which were dedesignated and recognized into earnings were as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Amount reclassified from accumulated other comprehensive income (loss) into other income (expense)	\$ 10,000	\$ —	\$ —
Loss recognized in other income (expense)	(4,727)	—	—

Fuel Collars and Options

We had fuel collars and fuel options maturing through December 2014 which were used to mitigate the financial impact of volatility in fuel prices of our fuel purchases. The effects on the consolidated financial statements of the fuel collars which were designated as cash flow hedges were as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Loss recognized in other comprehensive income (loss) – effective portion	\$—	\$(1,024)	\$(1,152)
Loss recognized in other income (expense) – ineffective portion	—	(292)	(26)
Amount reclassified from accumulated other comprehensive income (loss) into fuel expense	248	1,888	1,547

Table of Contents

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

	Year Ended December 31,		
	2015	2014	2013
Gain (loss) recognized in other income (expense)	\$ —	\$ (864)	\$ 1,340

Foreign Currency Options

We had foreign currency options that matured through January 2014, which consisted of call options with deferred premiums. These options were used to mitigate the financial impact of volatility in foreign currency exchange rates related to our ship construction contracts denominated in euros. If the spot rate at the date the ships were delivered was less than the strike price under these option contracts, we would have paid the deferred premium and would not exercise the foreign currency options. The effects on the consolidated financial statements of the foreign currency options which were designated as cash flow hedges were as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Loss recognized in other comprehensive income (loss) – effective portion	\$ —	\$ (1,157)	\$ (3,304)
Loss recognized in other income (expense) – ineffective portion	—	(241)	(97)
Amount reclassified from accumulated comprehensive income (loss) into depreciation and amortization expense	1,320	1,269	470

Foreign Currency Forward Contracts

As of December 31, 2015, we had foreign currency forward contracts which are used to mitigate the financial impact of volatility in foreign currency exchange rates related to our ship construction contracts and forecasted Dry-dock payments denominated in euros. The notional amount of our foreign currency forward contracts was €1.1 billion, or \$1.2 billion based on the euro/U.S. dollar exchange rate as of December 31, 2015.

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

	Year Ended December 31,		
	2015	2014	2013
Loss recognized in other comprehensive income (loss) – effective portion	\$(84,187)	\$(30,686)	\$(2,983)
Gain (loss) recognized in other income (expense) – ineffective portion	(343)	(7)	67
Amount reclassified from accumulated comprehensive income (loss) into depreciation and amortization expense	116	(243)	(84)

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

	Year Ended December 31,		
	2015	2014	2013
Gain recognized in other income (expense)	\$ 684	\$ —	\$ 20

Foreign Currency Collar

We had a foreign currency collar that matured in January 2014, which was used to mitigate the volatility of foreign currency exchange rates related to our ship construction contracts denominated in euros. The effects on the consolidated financial statements of the foreign currency collar which was designated as a cash flow hedge was as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Gain (loss) recognized in other comprehensive income (loss) – effective portion	\$—	\$(1,588)	\$4,350
Amount reclassified from accumulated comprehensive income (loss) into depreciation and amortization expense	(364)	(333)	—

As of December 31, 2015, we had a foreign currency collar used to mitigate the volatility of foreign currency exchange rates related to our ship construction contracts denominated in euros. The notional amount of our foreign currency collar was €274.4 million, or \$298.1 million based on the euro/U.S. dollar exchange rate as of December 31, 2015. The effects on the consolidated financial statements of the foreign currency collar which was not designated as a hedging instrument was as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Loss recognized in other income (expense)	\$(26,249)	\$(6,980)	\$ —

Table of Contents**Interest Rate Swaps**

As of December 31, 2015, we had interest rate swap agreements to hedge our exposure to interest rate movements and to manage our interest expense. The notional amount of outstanding debt associated with the interest rate swap agreements was \$715.9 million.

The effects on the consolidated financial statements of the interest rates swaps which were designated as cash flow hedges were as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Loss recognized in other comprehensive income (loss) – effective portion	\$(5,152)	\$(5,386)	\$(3,196)
Loss recognized in other income (expense) – ineffective portion	(23)	—	—
Amount reclassified from other comprehensive income (loss) into interest expense, net	4,614	2,385	189

The effects on the consolidated financial statements of the interest rates swap contract which was not designated as a hedging instrument was as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Loss recognized in other income (expense)	\$ (2)	\$ (3)	\$ —

Other

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

Long-Term Debt

As of December 31, 2015 and 2014, the fair value of our long-term debt, including the current portion, was \$6,495.5 million and \$6,229.1 million, respectively, which was \$6.6 million lower and \$45.0 million higher, respectively, than

the carrying values. The difference between the fair value and carrying value of our long-term debt is due to our fixed and variable rate debt obligations carrying interest rates that are above or below market rates at the measurement dates. The fair value of our long-term debt was calculated based on estimated rates for the same or similar instruments with similar terms and remaining maturities resulting in Level 2 inputs in the fair value hierarchy. Market risk associated with our long-term variable rate debt is the potential increase in interest expense from an increase in interest rates. The calculation of the fair value of our long-term debt is considered a Level 2 input.

Non-recurring Measurements of Non-financial Assets

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

We believe our estimates and judgments with respect to our long-lived assets, principally ships, and goodwill and other indefinite-lived intangible assets are reasonable. Nonetheless, if there was a material change in assumptions used in the determination of such fair values or if there is a material change in the conditions or circumstances that influence such assets, we could be required to record an impairment charge. We estimate fair value based on the best information available making whatever estimates, judgments and projections considered necessary. For our Step I Test, the estimation of fair value measured by discounting expected future cash flows at discount rates commensurate with the risk involved are considered Level 3 inputs. As of December 31, 2015, our annual review supports the carrying value of these assets. As of December 31, 2014, goodwill increased \$985.1 million and intangible assets increased \$800.0 million due to the Acquisition of Prestige (we refer you to Note 4—"The Acquisition of Prestige").

10. Employee Benefits and Share Option Plans

Management NCL Corporation Units

In 2009, we adopted a profits sharing agreement which authorized us to grant profits interests in the Company to certain key employees. These interests generally vested with the holders based on a combination of performance-based and time-based vesting metrics, each as specified in the profits sharing agreement and each holder's award agreement. Genting HK, the Apollo Holders and the TPG Viking Funds were entitled to initially receive any distributions made by the Company, pro-rata based on their shareholdings in the Company. Once Genting HK, the Apollo Holders and the TPG Viking Funds received distributions in excess of certain hurdle amounts specified in the profits sharing agreement and each holder's award agreement, each vested profits interest award generally entitled the holder of such award to a portion of such excess distribution amount. In connection with the Corporate Reorganization, NCLC's outstanding profits interests granted under its 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

F-20

Table of Contents

“Management NCL Corporation Units.” 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.

We accounted for the exchange of the outstanding profits interests for the economically equivalent number of Management NCL Corporation Units and share-based option awards as an award modification. An award modification requires that the fair value of the awards immediately before the modification and immediately after the modification be determined. We engaged a third-party valuation firm to assist in the completion of a valuation which was derived using a binomial lattice model. It was determined that the post-modification award value derived greater value versus the pre-modification award value, resulting in the recognition of incremental compensation expense. At the date of award modification, approximately \$5.5 million of incremental cost associated with vested awards was charged to share-based compensation, with the remaining unvested portion to be charged over the remaining vesting period.

The Management NCL Corporation Units, generally consisted of fifty percent of “Time-Based Units” (“TBUs”) and fifty percent of “Performance-Based Units” (“PBUs”). The TBUs generally vested over five years and upon a distribution event, the vesting amount of the PBUs was based on the amount of proceeds that are realized above certain hurdles.

In the fourth quarter of 2014, all Management NCL Corporation Units were exchanged for NCLH ordinary shares and restricted shares under a management exchange agreement (the “Management Exchange Agreement”). NCLH became the sole member and 100% owner of the economic interests in NCLC and the non-controlling interest no longer exists as of December 31, 2014. Accordingly, NCLC is now treated as a disregarded entity for U.S. federal income tax purposes. No new NCLC profits 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. The exchange for NCLH ordinary shares and restricted shares, per the Management Exchange Agreement, resulted in no incremental expense after applying the modification accounting treatment as substantially all key terms and conditions remained consistent.

The termination of employment may result in forfeiture of any non-vested TBUs and all PBUs. TBUs that were vested can be either continued by the Company or cancelled and paid to the employee. Cancellation could take place any time after termination but not before two years after the grant date.

As a result of the secondary offering during August 2015, the last hurdle amount specified in the profits sharing agreement was reached and as such all outstanding PBUs vested.

Share Option Awards

In January 2013, the Company adopted a 2013 performance incentive plan which provides for the issuance of up to 15,035,106 of NCLH's share options and ordinary shares, with no more than 5,000,000 shares being granted to one individual in any calendar year. Share options are generally granted with an exercise price equal to the closing market price of NCLH shares at the date of grant. The vesting period is typically set at 3, 4 or 5 years with a contractual life ranging from 7 to 10 years. Forfeited awards are added back to the approved reserve.

In July 2015, we granted 3.5 million share option awards to our employees at an exercise price of \$56.19 with a contractual term of ten years. The share options vest equally over three years.

In August 2015, we granted 0.7 million share option awards to our employees at an exercise price of \$59.43 with a contractual term of ten years. The share options vest equally over three years. In addition, on August 4, 2015, we entered into an amendment to the employment agreement with our President and Chief Executive Officer pursuant to which we awarded 625,000 time-based share option awards, 416,667 performance-based share option awards and 208,333 market-based share option awards at an exercise price of \$59.43 and contractual term of ten years. The time-based share option awards vest 50% on June 30, 2017 and 50% on June 30, 2019. The performance-based and market-based share option awards vest upon the achievement of certain performance and market-related metrics during the term of the employment agreement.

The performance-based awards are subject to performance conditions such that the number of awards that ultimately vest depends on the Adjusted EPS and adjusted return on invested capital ("Adjusted ROIC") achieved by the Company during the performance period compared to targets established at the award date. Because the terms of the performance-based awards provide discretion to make certain adjustments to the performance calculation, the service inception date of these awards precedes the grant date. Accordingly, the Company recognizes compensation expense beginning on the service inception date and remeasures the fair value of the awards until a grant date is established. The estimate of the awards' fair value will be fixed in the period in which the grant date occurs, and cumulative compensation expense will be adjusted based on the fair value at the grant date.

The fair value of each time-based option award is estimated on the date of grant using the Black-Scholes option-pricing model. The estimated fair value of the share options, less estimated forfeitures, is amortized over the vesting period using the straight-line vesting method. The assumptions used within the option-pricing model for the time-based awards are as follows:

Table of Contents

	2015	2014	2013
Dividend yield	—%	—%	—%
Expected share price volatility	32.32%-45.33%	48.30%-49.90%	50.40%-54.80%
Risk-free interest rate	1.34%-1.92%	1.80%-2.02%	0.8%-1.82%
Expected term	6.00-6.50 years	6.25 years	5.00-6.25 years

Expected volatility was determined based on the historical share prices in our industry. The risk-free rate was based on U.S. Treasury zero coupon issues with a remaining term equal to the expected option term at grant date. The expected term was calculated under the simplified method. Our forfeiture assumption is derived from historical turnover rates and those estimates are revised as appropriate to reflect the actual forfeiture results.

As a grant date is not established for the performance-based awards, their fair value is estimated on the last date of the reporting period using the Black-Scholes option-pricing model. The estimated fair value of the share options is amortized over the requisite service period using the straight-line vesting method. The assumptions used within the option-pricing model for the performance-based awards for which share-based compensation was recognized during 2015 are as follows:

	2015
Dividend yield	0%
Expected share price volatility	29.31%-29.86%
Risk-free interest rate	1.76%
Expected term	4.88-5.38 years

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

The fair value of the market-based share option awards is estimated using a Monte-Carlo model which values financial instruments whose value is dependent on share price by sampling random paths for share price. The key inputs for the simulation include current share price, risk free rate, and share price volatility. For each simulated path, the model checks if the simulated share price reaches the vesting threshold during the performance period. For each path that reaches the vesting threshold, the payoff upon vesting is calculated. The fair value of the equity grant is determined by averaging the expected payoff across all simulated paths and discounting the average to the valuation date.

The below table summarizes the key inputs used in the Monte-Carlo simulation:

2015

Dividend yield	0%
Expected share price volatility	30.00%
Risk-free interest rate	1.34%
Expected term	Mid-point from vesting to assumed options expiration

Expected volatility was determined based on the historical share prices in our industry. The risk-free rate was based on U.S. Treasury zero coupon issues with a remaining term equal to the remaining term of the measurement period.

The following is a summary of share option activity under our share option plan for the year ended December 31, 2015 (excludes the impact of 416,667 performance based awards as no grant date has been established):

	Number of Share Option Awards			Weighted-Average Exercise Price			Weighted-Average Contractual Term	Aggregate Intrinsic Value
	Time-Based Awards	Performance-Based Awards	Market-Based Awards	Time-Based Awards	Performance-Based Awards	Market-Based Awards	(years)	(in thousands)
Outstanding as of January 1, 2015	6,079,881	1,457,314	—	\$ 29.92	\$ 19.00	\$ —	7.61	\$ 142,831
Granted	5,130,000	—	208,333	56.64	—	59.43	—	—
Exercised	(2,144,702)	(546,951)	—	27.39	19.00	—	—	—
Forfeited and cancelled	(1,363,108)	(477,611)	—	37.49	19.00	—	—	—
Outstanding as of December 31, 2015	7,702,071	432,752	208,333	\$ 47.35	\$ 19.00	\$ 59.43	8.59	\$ 104,864
Vested and expected to vest as of December 31, 2015	7,351,098	432,752	208,333	\$ 47.22	\$ 19.00	\$ 59.43	8.47	\$ 101,824
Exercisable as of December 31, 2015	808,794	432,752	—	\$ 29.23	\$ 19.00	\$ —	5.84	\$ 40,890

Table of Contents

The weighted-average grant-date fair value of time-based options granted during the years 2015, 2014 and 2013 was \$20.90, \$16.86 and \$6.38 respectively. The weighted-average reporting period date fair value of performance-based options for which share-based compensation was recognized during 2015 was \$17.07. The weighted-average grant-date fair value of market-based options granted during the year 2015 was \$12.37. The total intrinsic value of share options exercised during the year 2015, 2014 and 2013 was \$68.0 million, \$4.5 million and \$1.4 million and total cash received by the Company from exercises was \$69.1 million, \$6.1 million and \$2.0 million, respectively. As of December 31, 2015, there was approximately \$106.1 million, \$0, and \$2.0 million of total unrecognized compensation cost net of estimate forfeitures, related to time-based, performance-based with an established grant date, and market-based options, respectively, granted under our share-based incentive plans which is expected to be recognized over a weighted-average period of 2.57 years, 0 years, and 1.95 years, respectively.

Restricted Ordinary Share Awards

The following is a summary of restricted share activity of NCLH shares for the year ended December 31, 2015:

	Number of Time-Based Awards	Weighted- Average Grant Date Fair Value	Number of Performance- Based Awards	Weighted- Average Grant Date Fair Value
Non-vested as of January 1, 2015	196,644	\$ 3.43	1,208,608	\$ 3.37
Granted	6,881	50.23	—	—
Vested	(83,958)	6.68	(620,739)	3.92
Forfeited or expired	(75,914)	2.68	(587,869)	2.79
Non-vested and expected to vest as of December 31, 2015	43,653	\$ 5.87	—	\$ —

As of December 31, 2015, there was \$0.2 million of total unrecognized compensation cost related to non-vested restricted ordinary share awards. The cost is expected to be recognized over a weighted-average period of 1.2 years. Restricted shares, with the exception of those related to the Management Exchange Agreement, which maintain their original vesting conditions of time and performance, vest in substantially equal quarterly installments over 1 or 2 years or in annual installments over 4 years. The total fair value of shares vested during the year ended December 31, 2015 was \$40.9 million.

Restricted Share Units (“RSUs”)

On August 4, 2015, we entered into an amendment to the employment agreement with our President and Chief Executive Officer pursuant to which we awarded 150,000 time-based RSUs, 100,000 performance-based RSUs and 50,000 market-based RSUs.

The time-based RSUs vest equally on June 30, 2016, 2017, 2018 and 2019, respectively. The performance-based and market-based RSUs vest upon the achievement of certain performance and market-related metrics during the term of the employment agreement.

The fair value of the time-based and performance-based RSUs is equal to the closing market price of NCLH shares at the date of grant.

The performance-based RSUs are subject to performance conditions such that the number of awards that ultimately vest depends on the Adjusted EPS and Adjusted ROIC achieved by the Company during the performance period compared to targets established at the award date. Because the terms of the performance-based awards provide discretion to make certain adjustments to the performance calculation, the service inception date of these awards precedes the grant date. Accordingly, the Company recognizes share-based compensation expense beginning on the service inception date and remeasures the fair value of the awards until a grant date occurs. The estimate of the awards' fair value will be fixed in the period in which the grant date occurs, and cumulative share-based compensation expense will be adjusted based on the fair value at the grant date.

The fair value of the market-based RSUs is estimated using a Monte-Carlo model which values financial instruments whose value is dependent on share price by sampling random paths for share price. The key inputs for the simulation include current share price, risk free rate, and share price volatility. For each simulated path, the model checks if the simulated share price reaches the vesting threshold during the performance period. For each path that reaches the vesting threshold, the payoff upon vesting is calculated. The fair value of the equity grant is determined by averaging the expected payoff across all simulated paths and discounting the average to the valuation date.

The below table summarizes the key inputs used in the Monte-Carlo simulation:

Table of Contents

	2015
Dividend yield	0%
Expected share price volatility	30.00%
Risk-free interest rate	1.34%
Expected term	Mid-point from vesting to assumed awards expiration

Expected volatility was determined based on the historical share prices in our industry. The risk-free rate was based on U.S. Treasury zero coupon issues with a remaining term equal to the remaining term of the measurement period.

The following is a summary of the RSUs activity for the year ended December 31, 2015 (excludes the impact of 100,000 performance-based RSUs as no grant date was established):

	Number of Time-Based Awards	Weighted- Average Grant Date Fair Value	Number of Market-Based Awards	Weighted- Average Grant Date Fair Value
Non-vested as of January 1, 2015				
Granted	150,000	\$ 59.43	50,000	\$ 59.43
Vested	—	—	—	—
Forfeited or expired	—	—	—	—
Non-vested and expected to vest as of December 31, 2015	150,000	\$ 59.43	50,000	\$ 59.43

As of December 31, 2015, there was \$7.9 million and \$1.1 million of total unrecognized compensation cost related to non-vested time-based and market-based RSUs, respectively. The cost is expected to be recognized over a weighted-average period of 3.50 years and 1.54 years, respectively, for the time-based and market-based RSUs.

The share-based compensation expense for the years ended December 31, 2015, 2014 and 2013 was \$41.8 million, \$20.6 million, which includes \$6.0 million of non-recurring charges associated with the Management Exchange Agreement and \$23.1 million, which includes \$18.5 million of non-recurring charges associated with the Corporate Reorganization, respectively, and was recorded in marketing general and administrative expense.

Employee Benefit Plans

We maintain annual incentive bonus plans for our executive officers and other key employees. Bonuses under these plans become earned and payable based on the Company's performance during the applicable performance period and the individual's continued employment. Company performance criteria include the attainment of certain financial targets and other strategic objectives.

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

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

Our contributions are reduced by contributions forfeited by those employees who leave the 401(k) Plan prior to vesting fully in the contributions. Forfeited contributions of \$0.4 million, \$0.1 million and \$0.1 million were utilized in the years ended December 31, 2015, 2014 and 2013, respectively.

We maintained a Supplemental Executive Retirement Plan ("SERP"), which is a legacy unfunded defined contribution plan for certain executives who were employed by the Company in an executive capacity prior to 2008. The SERP was frozen to future participation following that date. The SERP provided for Company contributions on behalf of the participants to compensate them for the benefits that are limited under the 401(k) Plan. We credited participants under the SERP for amounts that would have been contributed by us to the Company's previous Defined Contribution Retirement Plan and the former 401(k) Plan without regard to any limitations imposed by the Code. Participants did not make any elective contributions under this plan. As of December 31, 2015 and 2014, the aggregate balance of participants' deferred compensation accounts under the SERP Plan

Table of Contents

was \$0.5 million and \$0.4 million, respectively. We have discontinued this plan following the 2015 contributions and will pay the deferred contributions to participants in early 2017 following the expiration of the required twelve month period.

We recorded expenses related to the above 401(k) Plan and SERP of \$5.3 million, \$3.7 million and \$3.3 million for the years ended December 31, 2015, 2014 and 2013, respectively.

We maintained a Senior Management Retirement Savings Plan (“SMRSP”), which was a legacy unfunded defined contribution plan for certain employees who were employed by the Company prior to 2001. The SMRSP provided for Company contributions on behalf of the participants to compensate them for the difference between the qualified plan benefits that were previously available under the Company’s cash balance pension plan and the redesigned 401(k) Plan. We credited participants under the SMRSP Plan for the difference in the amount that would have been contributed by us to the Company’s previous Norwegian Cruise Line Pension Plan and the qualified plan maximums of the new 401(k) Plan. We have discontinued this plan following the 2015 contributions and will pay the deferred contributions to participants in early 2017 following the expiration of the required twelve month period.

Effective January 2009, we implemented the Shipboard Retirement Plan which computes benefits based on years of service, subject to eligibility requirements of the Shipboard Retirement Plan. The Shipboard Retirement Plan is unfunded with no plan assets. The current portion of the projected benefit obligation of \$1.1 million and \$0.9 million was included in accrued expenses and other liabilities as of December 31, 2015 and 2014, respectively and \$20.0 million and \$18.8 million was included in other long-term liabilities in our consolidated balance sheet as of December 31, 2015 and 2014, respectively. The amounts related to the Shipboard Retirement Plan were as follows (in thousands):

	As of or for the Year Ended December 31,		
	2015	2014	2013
Pension expense:			
Service cost	\$ 1,793	\$ 1,393	\$ 1,498
Interest cost	738	728	603
Amortization of prior service cost	378	378	378
Amortization of actuarial loss	99	—	90
Total pension expense	\$ 3,008	\$ 2,499	\$ 2,569
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	\$ 19,730	\$ 15,570	\$ 16,221
Service cost	1,793	1,393	1,498
Interest cost	738	728	603
Actuarial gain (loss)	(625)	2,689	(2,070)
Direct benefit payments	(558)	(650)	(682)
Projected benefit obligation at end of year	\$ 21,078	\$ 19,730	\$ 15,570

Edgar Filing: CINCINNATI FINANCIAL CORP - Form S-3/A

Amounts recognized in the consolidated balance sheets:

Projected benefit obligation	\$ 21,078	\$ 19,730	\$ 15,570
------------------------------	-----------	-----------	-----------

	As of or for the Year Ended December 31,		
	2015	2014	2013
Amounts recognized in accumulated other comprehensive income (loss):			
Prior service cost	\$ (5,293)	\$ (5,671)	\$ (6,049)
Accumulated actuarial loss	(3,126)	(3,849)	(1,160)
Accumulated other comprehensive income (loss)	\$ (8,419)	\$ (9,520)	\$ (7,209)

The discount rates used in the net periodic benefit cost calculation for the years ended December 31, 2015, 2014 and 2013 were 3.8%, 4.8% and 3.8%, respectively, and the actuarial loss is amortized over 18.95 years. The discount rate is used to measure and recognize obligations, including adjustments to other comprehensive income (loss), and to determine expense during the periods. It is determined by using bond indices which reflect yields on a broad maturity and industry universe of high-quality corporate bonds.

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

Year	Amount
2016	\$ 1,128
2017	1,079
2018	1,092
2019	1,170
2020	1,211
Next five years	7,750

Table of Contents

Employee Stock Purchase Plan (“ESPP”)

In April 2014, the Company’s shareholders approved the ESPP. The purpose of the ESPP is to provide eligible employees with an opportunity to purchase NCLH’s ordinary shares at a favorable price and upon favorable terms in consideration of the participating employees’ continued services. A maximum of 2,000,000 of the Company’s ordinary shares may be purchased under the ESPP. To be eligible to participate in an offering period, on the Grant Date of that period, an individual must be customarily employed by the Company or a participating subsidiary for more than twenty hours per week and for more than five months per calendar year. Participation in the ESPP is also subject to certain limitations. The ESPP is considered to be compensatory based on: a) the 15% purchase price discount and b) the look-back purchase price feature. Since the plan is compensatory, compensation expense must be recorded in the consolidated statements of operations on a straight-line basis over the six-month withholding period. For the years ended December 31, 2015, 2014 and 2013, the compensation expense was \$0.4 million, \$90 thousand and \$0 respectively. As of December 31, 2015 and 2014, we had a \$1.1 million and \$0.3 million liability, respectively, for payroll withholdings received.

Other Employee Matters

On January 8, 2015, Kevin M. Sheehan resigned as President and Chief Executive Officer of the Company, together with all of his positions and offices with the Company and its subsidiaries or affiliates, effective immediately. In connection with Mr. Sheehan’s resignation from the Company, Mr. Sheehan and the Company entered into a Separation Agreement and Release (the “Separation Agreement”). The Separation Agreement sets forth the terms of Mr. Sheehan’s resignation from the Company, including, among other things, a general release of claims in favor of the Company and certain non-competition, non-solicitation, confidentiality and cooperation undertakings. The Separation Agreement also provides that Mr. Sheehan will receive (i) all of his accrued and unpaid base salary (and accrued and unpaid vacation time) through January 8, 2015 (the “Effective Date”), (ii) his previously approved bonus payment for fiscal year 2014 of \$1,627,500, (iii) a one-time cash separation payment in an amount equal to his base salary and target bonus and (iv) vesting of a portion of his outstanding unvested equity-based awards as of the Effective Date, and all remaining unvested equity-based awards shall immediately terminate, expire and be forfeited as of the Effective Date. This resulted in a total severance expense of \$13.4 million of which \$8.2 million was due to the acceleration of the equity-based awards which was recorded in marketing, general and administrative expense in January 2015.

Frank J. Del Rio was appointed President and Chief Executive Officer of the Company as of January 8, 2015.

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

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

	Year Ended		
	December 31,		
	2015	2014	2013
Bermuda	\$—	\$—	\$—
Foreign - Other	433,909	340,334	114,688
Net income before income taxes	433,909	340,334	114,688

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

	Year Ended		
	December 31,		
	2015	2014	2013
Current:			
Bermuda	\$—	\$—	\$—
United States	(4,621)	9,162	(8,098)
Foreign - Other	(882)	(3,278)	(860)
Total current:	(5,503)	5,884	(8,958)
Deferred:			
Bermuda	—	—	—
United States	(1,269)	(3,617)	(2,844)
Foreign - Other	—	—	—
Total deferred:	(1,269)	(3,617)	(2,844)
Income tax benefit (expense)	\$(6,772)	\$2,267	\$(11,802)

Table of Contents

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

	Year Ended		
	December 31,		
	2015	2014	2013
Tax at Bermuda statutory rate	\$—	\$—	\$—
Foreign income taxes at different rates	(7,864)	(2,813)	(14,020)
Benefit from global tax platform(1)	—	—	6,074
Tax contingencies	(283)	(275)	(1,394)
Return to provision adjustments	1,370	14,444	—
Benefit (expense) from change in tax status	5	1,462	(2,462)
Valuation allowance	—	(10,551)	—
Income tax benefit (expense)	\$(6,772)	\$2,267	\$(11,802)

(1) During 2013, we implemented a restructuring plan to provide a global tax platform for international expansion. As part of the plan, the Company became a tax resident of the U.K. As such, it qualifies for relief from U.S. Branch Profits taxes under the U.S.-U.K. Tax Treaty. In addition, the restructuring resulted in additional interest and depreciation which reduced the Company's overall income tax expense.

Deferred tax assets and liabilities were as follows:

	As of December 31,	
	2015	2014
Deferred tax assets:		
Loss carryforwards	\$85,939	\$77,031
Shares in foreign subsidiary	—	17,808
Other	1,460	1,121
Valuation allowance	(61,437)	(81,704)
Total net deferred assets	25,962	14,256
Deferred tax liabilities:		
Property and equipment	(33,862)	(20,888)
Total deferred tax liabilities	(33,862)	(20,888)
Net deferred tax liability	\$(7,900)	\$(6,632)

We have U.S. net operating loss carryforwards of \$197.0 million and \$158.6 million, for the years ended December 31, 2015 and 2014, respectively, which begin to expire in 2023. We have U.S. state jurisdiction net operating loss

carryforwards of \$10.7 million and \$24.5 million for the years ended December 31, 2015 and 2014, respectively, which expire in the years 2025 through 2035. In 2014, based on the weight of available evidence, we recorded a valuation allowance of \$10.6 million with respect to the U.S. deferred tax assets of one of our U.S. subsidiaries.

Included above are deferred tax assets associated with our operations in Norway for which we have provided a full valuation allowance. We have Norway net operating loss carryforwards of \$35.1 million and \$58.8 million for the years ended December 31, 2015 and 2014, respectively, which can be carried forward indefinitely.

On November 19, 2014, we acquired the stock of Prestige. Included above are deferred tax assets associated with Prestige, including net operating loss carryforwards of \$126.9 million and 104.3 million for the years ended December 31, 2015 and 2014, respectively, which begin to expire in 2023, and state net operating loss carryforwards of nil and \$0.1 million for the years ended December 31, 2015 and 2014, respectively. In prior years, we recorded a valuation allowance of \$36.5 million with respect to the Prestige deferred tax assets based on the weight of available evidence. Section 382 of the Code (“Section 382”) may limit the amount of taxable income that can be offset by the Prestige NOL carryforwards.

As a result of the Corporate Reorganization in 2013, we obtained certain U.S. net operating losses of our shareholders. These loss carryforwards were subject to Section 382 which may limit the amount of taxable income that can be offset by NOL carryforwards after a change in control (generally greater than 50% change in ownership). We do not expect the Section 382 limitation to materially impact the deferred tax asset as it relates to the NOL.

Table of Contents

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

	As of December 31,	
	2015	2014
Unrecognized tax benefits, beginning of the year	\$ 11,174	\$ 10,894
Gross increases in tax positions from prior periods	—	—
Gross decreases in tax positions from prior periods	—	—
Gross increases in tax positions from current periods	—	280
Settlement of tax positions	—	—
Lapse of statute of limitations	—	—
Unrecognized tax benefits, end of year	\$ 11,174	\$ 11,174

If the \$11.2 million unrecognized tax benefits at December 31, 2015 were recognized, our effective tax rate would be affected. We believe that there will not be a significant increase or decrease to the tax positions within 12 months of the reporting date. We recognize interest and penalties related to unrecognized tax benefits in income tax expense.

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and foreign jurisdictions. We are generally no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by authorities for years prior to 2011, except for years in which NOLs generated prior to 2011 are utilized.

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

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

Operating Leases

Total expense under non-cancelable operating lease commitments, primarily for offices, motor vehicles and office equipment was \$12.6 million, \$9.2 million and \$9.4 million for the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, minimum annual rentals for non-cancelable leases with initial or remaining terms in excess of one year were as follows (in thousands):

Year	Amount
2016	\$ 12,448
2017	13,606
2018	13,662
2019	13,660
2020	14,490
Thereafter	88,814
Total minimum annual rentals	\$ 156,680

Rental payments applicable to such operating leases are recognized on a straight-line basis over the term of the lease.

Ship Construction Contracts

We have orders with Meyer Werft for three Breakaway Plus Class Ships for delivery in the spring of 2017, spring of 2018 and fall of 2019. These ships will be the largest in our fleet, reaching approximately 164,600 Gross Tons and approximately 4,100 to 4,350 Berths each and will be similar in design and innovation to our Breakaway Class Ships. The combined contract price of these three ships is approximately €2.5 billion, or \$2.7 billion based on the euro/U.S. dollar exchange rate as of December 31, 2015. We have export credit financing in place that provides financing for 80% of their contract prices. We also have a contract with Fincantieri shipyard to build a cruise ship to be named Seven Seas Explorer. The original contract price of this ship is approximately €343.0 million, or approximately \$372.6 million, based on the euro/U.S. dollar exchange rate as of December 31, 2015. We have export credit financing in place that provides financing for 80% of the ship's contract price. Seven Seas Explorer is expected to be delivered in the summer of 2016.

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

Table of Contents

As of December 31, 2015, minimum annual payments for non-cancelable ship construction contracts with initial or remaining terms in excess of one year were as follows (in thousands):

Year	Amount
2016	\$536,815
2017	806,681
2018	890,447
2019	758,114
2020	—
Thereafter	—
Total minimum annual payments	\$2,992,057

Port Facility Commitments

As of December 31, 2015, future commitments to pay for usage of certain port facilities were as follows (in thousands):

Year	Amount
2016	\$33,217
2017	29,141
2018	20,403
2019	20,858
2020	21,326
Thereafter	60,889
Total port facility future commitments	\$185,834

The FMC requires evidence of financial responsibility for those offering transportation on passenger ships operating out of U.S. ports to indemnify passengers in the event of non-performance of the transportation. Accordingly, each of our three brands are required to maintain a \$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, each of our brands has a legal requirement to maintain a security guarantee based on cruise business originated from the U.K. and, accordingly, has established separate bonds with the Association of British Travel Agents currently valued at approximately British Pound Sterling 6.5 million in the aggregate. 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.

Litigation

In 2015, the Alaska Department of Environmental Conservation issued Notices of Violations to major cruise lines that operated in the state of Alaska, including NCLH, for alleged violations of the Alaska Marine Vessel Visible Emission Standards that occurred over the last several years. We are cooperating with the Alaska Department of Environmental Conservation and conducting our own internal investigation into these matters. However, we do not believe the ultimate outcome will have a material impact on our financial condition, results of operations or cash flows.

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

13.

Restructuring Costs

Due to the Acquisition of Prestige, a number of employee positions were consolidated. As of December 31, 2015, we had an accrual balance of \$4.1 million for restructuring costs for severance and other employee-related costs. The expense of \$15.0 million for the year ended December 31, 2015 is included in marketing general and administrative expense.

The following table summarizes changes in the accrual for restructuring costs (in thousands):

Table of Contents

	Restructuring costs
Accrued expense balance as of December 31, 2014	\$ (7,956)
Amounts paid	18,815
Additional accrued expense	(15,003)
Accrued expense balance as of December 31, 2015	\$ (4,144)

14. Concentration Risk

We contract with a single vendor to provide many of our hotel and restaurant services including both food and labor costs. We incurred expenses of \$122.4 million and \$22.5 million for the years ended December 31, 2015 and 2014, respectively, which are recorded in payroll and related and food expenses in our consolidated statements of income.

15. Supplemental Cash Flow Information

For the years ended December 31, 2015, 2014 and 2013 we paid interest and related fees of \$218.3 million, \$233.5 million and \$316.9 million, respectively. For the year ended December 31, 2014, we had a non-cash investing and financing activity related to a seller financed capital expenditure of \$82.0 million. For the year ended December 31, 2015 and 2013 we had non-cash investing activities in connection with capital leases of \$31.1 million and \$15.5 million, respectively. For the years ended December 31, 2015, 2014 and 2013 we paid income taxes of \$10.3 million, \$9.8 million and \$1.1 million, respectively. For the year ended December 31, 2015 and 2014 we had non-cash investing activities for capital expenditures of \$41.1million and \$13.0 million, respectively. For the year ended December 31, 2013, we had a non-cash financing activity of \$10.0 million in connection with the modification of certain fully-vested Management NCL Corporation Units from liability to equity award status. Upon the IPO this liability award was fully vested at the time of the settlement and was reclassified to equity in the balance sheet resulting in a non-cash financing activity. We refer you to Note—4 “The Acquisition of Prestige” for non-cash transactions in conjunction with the Acquisition of Prestige.

16. Revisions to the Consolidated Statement of Cash Flows

During the three months ended September 30, 2015, we determined that for the three months ended March 31, 2015 and six months ended June 30, 2015, cash payments related to property and equipment were reported as a decrease in cash flows from operating activities related to the change in accrued expenses and other liabilities and prepaid and other assets when it should have been reported as a decrease in cash flows from investing activities related to additions to property and equipment. The Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and six months ended June 30, 2015 will be revised in future Form 10-Q filings, to increase cash from operating activities related to the change in accrued expenses and other liabilities and prepaid and other assets and increase investing cash outflow from additions to property and equipment by \$14.6 million and 18.5 million, respectively. We have determined that the revision is not material to our consolidated financial statements individually and in the aggregate.

During the three months ended June 30, 2015, we determined that for the year ended December 31, 2014, non-cash transactions related to the financing of one of our ships was reported as cash used for additions to property and equipment and cash provided by proceeds from long-term debt. The Consolidated Statement of Cash Flows, for the year ended December 31, 2014, has been revised in this annual report on Form 10-K by decreasing cash used for additions to property and equipment and cash provided by proceeds from long-term debt by \$82.0 million. We have determined that the revision is not material to our consolidated financial statements.

17.**Subsequent Event**

In the first quarter of 2016, we executed a purchase and sale agreement for our interest in certain land-based operations in Hawaii. The amount of the transaction is considered immaterial to our consolidated financial statements.

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

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2015	2014	2015	2014	2015	2014	2015	2014
Total revenue	\$ 938,182	\$ 664,028	\$ 1,085,433	\$ 765,927	\$ 1,284,910	\$ 907,017	\$ 1,036,523	\$ 788,909
Operating income	60,349	73,089	217,383	148,588	306,832	234,822	117,922	46,442
Net income (loss) attributable to Norwegian Cruise Line Holdings Ltd.	(21,456)	51,267	158,494	111,616	251,787	201,078	38,312	(25,609)
Earnings (loss) per share:								
Basic	\$ (0.10)	\$ 0.25	\$ 0.70	\$ 0.54	\$ 1.11	\$ 0.99	\$ 0.17	\$ (0.12)
Diluted	\$ (0.10)	\$ 0.24	\$ 0.69	\$ 0.54	\$ 1.09	\$ 0.97	\$ 0.17	\$ (0.12)

Table of Contents

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

F-31