



Norwegian Cruise Line

Kevin Sheehan, Chief Executive Officer and President of Norwegian Cruise Line, looked out the window as the plane descended into Frankfurt, Germany, where Sheehan would join colleagues to drive to the Meyer Werft Shipyard in Papenburg, Germany. With two months before the delivery of Norwegian's newest ship, Norwegian Breakaway, Sheehan reflected on the evolution of the company's Freestyle Cruising product offering. Breakaway was completely designed and built to deliver on the latest generation of Freestyle Cruising—Norwegian's core differentiator that provided guests more options for dining, entertainment and accommodations than typical cruise vacations. Under Sheehan's leadership over the past six years, Norwegian had experienced a dramatic turnaround, largely due to his efforts to help the organization deliver on the promise of providing a great Freestyle experience. In January 2013, after five years of profitable growth, Sheehan rang the bell at NASDAQ on Norwegian's first day of trading. It had been a whirlwind getting ready for the IPO and the first months of 2013 had not let up. Looking at the bleak March landscape surrounding the airport, Sheehan wondered how Norwegian could continue to improve the guest experience, further enhancing the Freestyle concept on board Norwegian Breakaway and the fleet's eleven other ships.

The Cruise Industry

The modern passenger cruise industry evolved from a means of transportation to become a popular vacation option where, beyond the exotic destinations, the ship's amenities and the voyage itself were a key part of the vacation experience. Mass-market cruise ships typically carried between 2,000 and 5,000 passengers (as well as 800 to 1,700 crewmembers) and offered a wide variety of entertainment. Cruise lines generated revenue in two primary ways. The majority came from the sale of the passenger ticket, or cruise fare, with additional revenue generated from the sale of onboard food, drink, merchandise, entertainment, and shore excursions.

The industry had grown significantly over the past three decades, with capacity growing at an annual rate of 7.78% from 41,000 lower berths (sleeping beds) in 1981 to nearly 390,000 in 2011¹. Cruise Line International Association (CLIA), the largest cruise line association, forecasted a total global passenger count of 20.97M in 2013 with 17.6M passengers being from North America. While most passengers were North American, cruise lines offered cruises all over the world; the primary markets were the Caribbean (34.4%), the Mediterranean (21.7%) and Northern Europe (10.9%). The majority of cruises were 7-nights

¹ Cruise Line International Association's Passenger Carrying Report, Q1 2012

in length, but anything from 3 nights to 14 night cruises were common. Cruise ships typically returned to the home port early in the morning to let guests disembark, clean the ship, replenish food and beverage, and welcome new guests before departing the port in the late afternoon for the next cruise.

The cruise market had matured into three segments: contemporary, premium and luxury. While price and quality (accommodations, included food and drink, etc.) were the primary differentiators, cruise lines in different segments tended to differ on cruise lengths, ship sizes, and destinations. The range of per person, per night prices for each segment was: contemporary between \$150 and \$200, premium between \$300 and \$350, and luxury in excess of \$500. The majority of the cruise industry fell in the contemporary (~75%) and premium (~20%) segments.

While there were dozens of cruise line brands, the industry was highly concentrated, stemming from significant merger and acquisition activity and high barriers to entry. The two largest operators in 2013, Carnival Corporation & PLC and Royal Caribbean Cruises Ltd., owned 47% and 24% of industry capacity, respectively².

Carnival Corporation operated ten cruise brands including Carnival Cruise Lines, Princess Cruises, Holland America Line, and Costa Cruises. Together, the brands generated \$15.4B dollars in revenue and operated a combined 100 cruise ships, 61% of which belong to their North American brands³ (see Exhibit 1 for detailed breakdown).

Carnival Cruise Lines was the largest brand in the world, operating 24 ships. Carnival deployed the majority of their ships from ports in the United States, many beyond the popular Florida ports. Additional home ports included Boston, Los Angeles, Charleston, Galveston, New Orleans, and Baltimore. By sailing cruises from ports that were closer to population centers, Carnival was able to reduce the total vacation cost.

Carnival's stated mission was to "take the world on vacation and deliver exceptional experiences that appeal to a large variety of consumers, all at an outstanding value."⁴ Their target customers were value focused.

Royal Caribbean Cruises was the second largest cruise company in the world operating 40 ships across five brands including Royal Caribbean International (RCI), Celebrity Cruises, and Pullmantur. In 2012, Royal Caribbean generated roughly \$7.7B in revenue across all brands.

Royal Caribbean International, was the second largest cruise line with 22 ships, including the largest passenger cruise ships in the world, Oasis of the Seas and her sister ship, Allure of the Seas.

² The Essentials of Cruise Investing, Goldman Sachs, May 4, 2012

³ Carnival Corporation Form 10-K, Fiscal Year ended November 30, 2012

⁴ Carnival Corporation Form 10-K, Fiscal Year ended November 30, 2012

There were dozens of other cruise lines that offered ocean and river cruises (see Exhibit 2 for list). Among them were the Italian line, MSC Cruises, a division of the large Mediterranean Shipping Company, with 12 ships in 2013 and Disney Cruise Line with 4 ships.

Carnival, Royal Caribbean, and Norwegian were priced comparably, while the onboard revenue was the highest for Norwegian and lowest for Carnival:

Full Year 2012 Net Revenue per Person per Day (Double Occupancy)⁵

<u>Cruise Line</u>	<u>Ticket</u>	<u>Onboard</u>	<u>Total</u>
Norwegian	\$124	\$52	\$176
Royal Caribbean	\$128	\$46	\$174
Carnival	\$130	\$41	\$171

Norwegian Cruise Line

Norwegian Cruise Line was founded in 1966 with one cruise ship and was the first cruise line to offer round-trip cruises to the Caribbean from the then-new Port of Miami. In early 2013, Norwegian was the third largest cruise line operating 11 ships, with two Breakaway class ships scheduled to be delivered in 2013 and 2014. For the 12 months ending December 31st, 2012, Norwegian had revenue of \$2.3B, with \$1.6B generated from passenger ticket revenue and the remaining \$0.7B from onboard and other.

Although Norwegian had been an industry pioneer, it floundered in 1990's with mistaken acquisitions and divestitures that diluted the brand and allowed competitors to surpass it in size and market share. "Norwegian had old ships, a weaker brand and was fading away", said Andy Stuart, EVP of Sales and Passenger Services.

In 2000, Norwegian was acquired by what is today known as Genting Hong Kong, a financial holding company that owned Star Cruises, making Star Cruises the third largest cruise operator in the world. In the first few years of the relationship, Norwegian contracted a number of new ships and transferred others to Star Cruises. Between 1999 and 2010, Norwegian launched 10 new ships.

In 2003, Norwegian launched a new brand, NCL America, which over the next three years, launched three U.S. flagged and crewed ships to sail the Hawaiian Islands (due to the Passenger Services Act, foreign flagged and crewed ships could not sail from a U.S. port to another U.S. port without first docking at a foreign port). The rapid capacity expansion into Hawaii, along with the impending recession proved too aggressive, and the company later withdrew two of the three ships from the market after losing an estimated \$100M a year.

In August 2007 the private equity group, Apollo Management, invested \$1B cash into Norwegian, making the firm a 50% owner. One of Apollo's first actions was to appoint Kevin Sheehan CEO in 2008. Sheehan brought to Norwegian a diverse business background

⁵ Company SEC filings

that included taking Avis rental car public, helping found the Spanish-language network Telemundo, and launching the Sega channel.

Sheehan made changes to several executive level positions, which resulted in a leadership team that was a mix of cruise industry veterans and those with outside expertise. Since taking the helm in 2008, Sheehan reinvigorated the company's culture and improved financial performance, ultimately leading to the IPO in early 2013 (see Exhibit 3 for financial results), that sold 13% of the company to the public.

Norwegian's mission was to be a "leading global cruise line operator, offering cruise experiences for travelers with a wide variety of itineraries... with the goal of providing our customers the highest levels of overall satisfaction on their cruise experience... We created a distinctive style of cruising called 'Freestyle Cruising' onboard all of our ships, which we believe provides our passengers with the freedom and flexibility associated with a resort style atmosphere and experience as well as more dining options than a traditional cruise."⁶

Launching Freestyle Cruising

Norwegian launched Freestyle Cruising in 2000 to differentiate it from other cruise lines and to attract travelers who were turned off by the "cattle call" perception of cruising.

The typical cruise model offered guests one of two dining times in a large main dining room and two showings of the main entertainment. Guests could choose to have an early dinner with a late show or have an early show and a late dinner. Cruise ships like those operated by Carnival and Royal Caribbean typically had large restaurants in which guests ate each night, usually at the same table with the same fellow guests and server. Guests were typically expected to dress in relatively formal attire to enhance the dining experience for all. Such traditional cruise lines also offered buffets and limited specialty dining, enabling guests to upgrade to higher-end dining venues. Seating was very limited and upgrading could be expensive, so most guests ate the majority of dinners in the main dining room. With this operating model, cruise lines controlled the flow of traffic, forcing the majority of guests into one of two options (see Carnival deck plan in Exhibit 4).

In 2000, Norwegian launched the Freestyle Cruising concept on select ships, with the idea to let guests dine when and where they wanted. On Star Cruises' ships, which largely served as gambling ships in Asia, dining was not a main appeal of cruising; therefore, cruises didn't have set dining times. Several company executives decided to bring this idea to Norwegian as a way to differentiate the brand from its competitors.

The company cut the size of the main restaurants and offered additional dining venues with varying sizes—up to 9 restaurants on the initial ships, with several charging small cover charges. The program offered open seating, more flexible hours, and more flexible "resort-casual" attire.

⁶ Norwegian Cruise Line Holdings Ltd Form S-1 Registration statement

The transition to Freestyle Cruising was rough, recalled VP of Hotel Operations, Mark Kansley, who joined Norwegian shortly before the introduction of Freestyle Cruising. With years of cruise industry experience, he was initially skeptical of the idea. “When I heard these conversations, I was really afraid. Deep within myself, I thought that there is no way we can do this.” When Norwegian went live with the first Freestyle Cruising voyage on the Norwegian Sky, Kansley reflected “I distinctly remember on the first day—by midnight I was literally crying... the execution was not what our guests paid for.”

The biggest initial struggle was long lines for the main dining room, which could be 30-minutes or longer during peak times. One Norwegian Sky guest from 2004 wrote a review on cruisecritic.com:

“For our Freestyle dining experience, it was “Eat when Norwegian wanted you to, where Norwegian wanted you to”. We stood in line every night to put our name on a list for a table then sat around and waited for our name to be called. Every time when we went into the dining room there were tables available, but no staff to serve them. When we did get a table, the staff was inexperienced or experienced and overworked (more tables than they could handle or training other staff). Every night we heard trays of dishes hit the floor.”⁷

Additionally, as the food and beverage team focused on the new dining options, the main dining room saw lower quality than guests expected. This, in addition to the cover charges for many restaurants, meant guests felt like they had to pay for decent food. Reflecting on the transition, Andy Stuart commented, “everybody underestimated how much the product hinged on having two dining times.” Long lines, slow service, and poor food quality forced the organization to dig deep and change the way they had historically operated.

Freestyle Built Ships

By the mid-2000’s the company’s fleet was comprised of a mix of ships, some purpose built for Freestyle Cruising and others that were retrofitted for the concept. The company embarked on a fleet renewal program which resulted in the transfer of these retrofitted ships to Star Cruises along with the construction of the second generation of Freestyle Cruising ships. These ships, known as the Jewel class, debuted in 2005, and took Freestyle Cruising to the next level with additional dining options and accommodations, including a private all-suites complex, which was branded in 2010 as “The Haven by Norwegian”. The 93,000 gross ton ships had a double-occupancy capacity of 2,400 passengers and focused on providing increased flexibility for dining and cabin selection. The dining locations were intentionally spread throughout the ship on the main passenger decks and pool decks to move crowds away from the main dining room. The Jewel class ships were the first to have an expanded option of suites with 10 different room types offered.

⁷ <http://www.cruisecritic.com/memberreviews/memberreview.cfm?EntryID=4865>

Additionally, these ships were built with an increased number of galleys to support the increased number of dining venues. Without this improvement, the operations of moving food around the ship and to the table would have been complex and time-consuming.

Having improved the delivery of Freestyle dining, Norwegian shifted focus towards the entertainment offering when designing its third generation ship. The result was the Norwegian Epic, which was designed and ordered just prior to Sheehan's arrival. Epic was the third largest passenger cruise ship in service with a gross tonnage of 155,000 tons and a double-occupancy capacity of 4,100 passengers. Its entertainment offering followed a similar design as the dining product, which meant that while the main entertainment venue was smaller, it had new additional venues throughout the ship allowing for more options. For example, a typical Jewel class ship had an occupancy capacity of 2,400 (double capacity) and a main theatre capacity of 1,200, while Epic had a capacity of 4,100 and a main theatre capacity of only 700. A show would be offered several times over the course of a cruise so that guests could see it when it best fit their schedule. Guests could stop by for a seat or make reservations ahead of time (See exhibit 6 for Norwegian Epic venue capacity).

In addition to more options, Norwegian focused on partnerships to deliver high-quality entertainment. On Epic, guests could watch the Blue Man Group in the main theater, enjoy Howl at the Moon piano bar, watch comedy from Chicago-based The Second City in more intimate venues, watch the Cirque Dreams & Dinner in a dedicated venue known as the Spiegeltent and see Nickelodeon characters throughout the ship.

Lastly, Norwegian Epic provided a cruise industry first: stateroom cabins designed for singles. Traditionally cabins were priced per passenger assuming double occupancy. Passenger capacity was traditionally calculated as rooms multiplied by two. However, many rooms could accommodate more than two passengers. For example, a typical double room could accommodate two adults and two children. The children would sleep in fold-up bunks or pull-out couches. Thus it was possible to have more passengers on board than the stated double-berth capacity. If a cruise guest wanted an individual stateroom, she would have to pay for herself plus 75% of a second ticket. The Norwegian single-room cabins, known as studio staterooms, enabled guests to book a smaller room of their own without paying a surcharge.

Epic's construction and delivery presented many challenges. Senior Vice President of Technical Operations, Brian Swensen noted that Epic was designed in a silo by a small group of individuals from the prior management team. This process forced operating departments to adapt or submit change orders to comply with these designs, complicating communication with the shipyard and adding to the construction cost. The result was coordination problems with the shipyard that resulted in mistakes and delays. In addition, during construction, there were floods, leaks, piping issues and a fire in the provision area shortly before launch. Cabin inspections were behind schedule and rooms were undergoing inspections during inaugural cruises. While the entertainment offering and other features helped make Epic Norwegian's most successful ship at the time, Sheehan vowed to learn from the flaws in the design process and break down the organizational silos in the development of Norwegian Breakaway.

Communicating Freestyle

Explaining the difference and value of Freestyle Cruising initially proved difficult for Norwegian. As several of the dining options required fees, many agents and guests simply thought that Norwegian was now making guests pay for food. In the mid 2000's Norwegian launched a series of campaigns that were aimed to show how Norwegian was different than the rest of the industry by mocking the typical structure of cruising (see Exhibit 7 for examples). The ads strived to define Freestyle as different from traditional cruising. However, those new to cruising had no point of reference, and many old-time cruisers liked the traditional format. While innovative, the campaign failed. Maria Miller, SVP of Marketing, explained that the challenge of both defining Freestyle and then attaching it to Norwegian was too great. In 2012, she launched a new campaign that focused on the Norwegian brand with Freestyle Cruising and the freedom and flexibility it offers as the core attribute of a Norwegian cruise (see Exhibit 8). The internal vision created by Norwegian executives was to "be the cruise line of choice."

Operational Initiatives

Dining

Among Freestyle Cruising's biggest challenges was wait times that guests experienced for dining. To address this obstacle, Norwegian introduced a series of innovations to better shape the flow of passengers.

Without the scheduled meals, it was inevitable that there were times when crowds would form as they waited for tables. Beyond reducing the waiting time, Sheehan and team worked to improve waiting experiences. Mike Flesch, SVP of Hotel Operations, joined Norwegian in 2009 with significant restaurant industry experience, having worked for Dave and Busters and Olive Garden. Leveraging this background, he quickly realized that one of the first things to improve the guest experience while waiting was to message the wait to the guest so that they knew what to expect. Instead of just giving them a time to come back, Norwegian provided pagers so that guests could stroll around the ship. Norwegian also added more shopping boutiques, where guests could browse while waiting. If lines were unusually long, wait-staff brought out appetizers or gave drink coupons to guests.

To further improve the waiting experience on Norwegian Breakaway, Sheehan challenged the team to design many of the large dining venues with bars or lounges right at the entrance so that guests could enjoy a drink and music while they waited for a table (see Exhibit 5). Flesch said of Breakaway, "We have entertainment and a bar where people will be more comfortable and will spend money as they wait for their dining time... we've also put restaurants throughout the ship so that people can walk around bars and shops nearby while they wait."

Lastly, Norwegian leveraged technology accelerators to help with the operations obstacles of Freestyle dining. Using Silverware, a table management system, Norwegian gained visibility into table turn times, improved productivity of restaurants, and allowing better

order visibility to the chefs. Most importantly, Norwegian used this information to communicate dining room constraints to guests. Norwegian installed display screens throughout the ship that showed guests, on a red-yellow-green stop-light basis, the vacancy at each restaurant so guests could plan their dining accordingly. Norwegian also allowed diners to make reservations up to 45 days before the cruise, but they were careful to limit prebooking to ensure tables would be available for guests who didn't book ahead of time. When a reservation was made in Silverware or when a guest swiped their card upon arriving at a restaurant, the system updated the availability and displayed changes on monitors throughout the ship. In addition to managing expectations, this system drove the behavior that Norwegian wanted. Guests began to see what booked up quickly and would make reservations ahead of time to ensure they were able to dine where they wanted on each day of the cruise. Kansley noted that after the signaling was installed that lines still formed on the first evening or two of a cruise, but by the third day, there were few waits for dining, as guests came to understand the system and planned accordingly.

Labor

Initially, the total ship staff grew as Freestyle was introduced. The resulting cost pressure forced Norwegian to develop new practices and procedures to better deliver the Freestyle Cruise offering while keeping headcount in check. Understanding the Freestyle concept was initially hard for crew. Norwegian had to train the crew for cross utilization as staff members were no longer dedicated to one spot for all three meals, as is typical on other cruise lines. Instead, the Freestyle concept made passenger demand at any particular venue less predictable, making staff needs ever changing. Flexible staffing allowed Norwegian to move staff where needed, but required them to be more knowledgeable of the product offering and processes used in the different dining rooms. Norwegian launched a major training initiative, hiring coaches to help staff learn all of the dining concepts and how to serve in different venues. Forecasting models tracked daily demand at the different venues and shifted staff accordingly. This meant that servers typically would not learn their dining assignments until few hours in advance. Nevertheless, even with these changes the best Freestyle ships maintained slightly larger crews than traditional ships because of the complexity of offering expanded dining and entertainment options (see Exhibit 9 for a comparison between Norwegian and Carnival).

Freestyle also required Norwegian to think about the interactions between guests and crew. On most cruise lines, a server waited on the same guests at the same table throughout the cruise, enabling a close connection between the server and the guest. This was not possible with Norwegian's dining options. To make up for this lost connection, Norwegian moved relationship building to the room stewards, who cleaned and prepared the rooms. Stewards were trained to spend more time getting to know their guests. Within the first 24 hours of the cruise, stewards introduced themselves and memorized passenger names. Besides providing friendly service, stewards become key advisors for guests on dining choices and excursion options. Norwegian further enabled the stewards by providing access to systems that showed guests' dining history, allowing them to improve recommendations.

Aligning the crew members with an external marketing campaign that challenged parents to be a “vacation hero”, Norwegian also rolled out the *Vacation Hero* program for all crew. The goal was to improve the overall vacation experience and to go the extra mile to ensure satisfaction. Norwegian trained the crew on the entire cruise product and required them to sign a contract to be a vacation hero for their guests. Better trained staff meant that anyone from a bar tender, dining room server, or steward could help guests with questions and guide them towards experiences that were sure to satisfy.

Norwegian also tweaked the labor operations to improve the poolside guest experience. Historically, drink servers roamed the poolside decks offering guests drinks. This resulted in a guest being asked several times by different servers if they cared for a drink. Some guests would grow irritated by the barrage of offers. The team at Norwegian rearranged the servers so that each would be dedicated to a particular area. This ensured that guests would have a server who would learn their preferences and know not to repeatedly offer unwanted drinks. Further, Norwegian equipped the servers with mobile devices so that they could charge the guest on-the-spot and the bartender would see the drink order immediately, improving the delivery time to the guest.

Entertainment

With Norwegian Epic, the company designed a more flexible entertainment offering. In addition to providing more flexibility for entertainment, this helped combat the ‘peak’ demand for dinner that occurred between 7:00 and 7:30. Norwegian scheduled some of the most attractive entertainment options during peak dinner times. For example, Epic showed main attractions, such as Blue Man Group, in the Epic Theater at 7:00 and 10:00. Offering this attractive entertainment and other popular events like a poolside barbeque pulled guests away from the restaurants at the peak times.

With the smaller venues, Norwegian focused on counter programming, whereby main attractions would be offered at overlapping times so that all guests would not want to attend the same show. Further, Norwegian staggered show times so that they would end at different times, preventing a large crowd from filling the halls and restaurants at once.

Finally, Norwegian looked at guest demographics to identify the optimal times for different shows. For example, Norwegian would shift main shows on a Hawaiian cruise from 7:30 in the summer when there were more families onboard to 7:00 in the winter when the guests were typically older.

Looking Ahead

The cruise line that Kevin Sheehan inherited in 2008 had struggled to deliver a top notch, Freestyle cruise. By bringing in executives with diverse backgrounds from both inside and outside the cruise industry, Sheehan was able to assemble a team that took Freestyle Cruising to the next level. With Norwegian Breakaway just a few months away from launch, Sheehan’s team was excited to watch how the design changes on Breakaway would

complement the operational changes that had already been made on other Norwegian ships to deliver the best, most flexible Freestyle cruises.

Norwegian Breakaway, due in April 2013, was the first ship that was designed and built under Sheehan's vision. Finance Director, Edel Cruz, said that "Freestyle was taken to the next level with Norwegian Epic, and now more so with Norwegian Breakaway." The ship's design process and construction had been smoother than that of Norwegian Epic, primarily due to Sheehan's leadership that broke down the siloed decision making that created issues on Epic. SVP of Technical Operations, Brian Swensen, said of Breakaway's design, "We went from single individuals making decisions that compounded in every facet to having a management style that involved the team to get everybody's input. While siloed decision making may work on a typical cruise product, it is critical for every department to be at the table to drive the integration required by Freestyle."

With over a decade of refining Freestyle Cruising, Norwegian had been able to differentiate itself from competitors. However, some cruise lines were copying elements of Freestyle by building ships with additional dining venues, and nearly all cruise lines offered guests the option of some flexible dining times, in addition to traditional two-seating dining. For example, Royal Caribbean offered *My Time Dining* and Carnival guests could choose *Your Time Dining*. As Sheehan thought about the improvements with Norwegian Breakaway, he wondered whether Norwegian's Freestyle Cruising offering was a sustainable differentiator and what the next step should be in the evolution of freedom and flexibility.

Exhibit 1: Data on Cruise Operators

<u>Line</u>	<u>Capacity (Double Berths)</u>	<u>Ships</u>	<u>Markets</u>
Carnival Cruise Lines	61,968	24	North America
Princess Cruises	36,912	16	North America
Holland America Line	23,492	15	North America
Seabourn	1,986	6	North America
Costa	31,720	14	Italy, France and Germany
AIDA Cruises (“AIDA”)	16,442	9	Germany
P&O Cruises (UK)	14,636	7	UK
Cunard	6,672	3	UK and North America
P&O Cruises (Australia)	4,780	3	Australia
Ibero Cruises (“Ibero”)	4,176	3	Spain and South America
Total	202,784	100	

<u>Line</u>	<u>Capacity (Double Berths)</u>	<u>Ships</u>
Royal Caribbean International	62,000	22
Celebrity	24,796	11
Azamara	1,400	2
Pullmantur	6,300	4
Total	94,496	39

<u>Ship</u>	<u>Built</u>	<u>Gross Tonnage</u>	<u>Class</u>
Norwegian Spirit	1998	75,338	Leo Class
Norwegian Sky	1999	77,104	Sun Class
Norwegian Star	2001	91,740	Dawn Class
Norwegian Sun	2001	78,309	Sun Class
Norwegian Dawn	2002	92,250	Dawn Class
Norwegian Jewel	2005	93,502	Jewel Class
Pride of America	2005	80,439	United States
Norwegian Jade	2006	93,558	Jewel Class
Norwegian Pearl	2006	93,530	Jewel Class
Norwegian Gem	2007	93,530	Jewel Class
Norwegian Epic	2010	155,873	F3 Class

Exhibit 2: Cruise Operator Capacity (double berth)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
AIDA	0	0	0	0	0	11,900	11,900	11,900	11,900	11,900	11,900
AMAWATERWAYS	0	0	998	1,386	1,268	1,765	1,929	2,201	2,201	2,201	2,201
AMERICAN CANADIAN LINE	444	444	444	444	444	284	284	284	284	284	284
AMERICAN CRUISE LINES, INC.	200	302	302	302	477	477	617	757	757	897	897
AMERICAN WEST STMBT CO	606	606	606	606	606	0	0	0	0	0	0
AVALON WATERWAYS	0	0	0	1,546	1,544	1,362	1,524	1,478	1,478	1,478	1,478
AZAMARA CRUISES	0	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420
CARNIVAL CRUISE LINES	47,908	50,882	52,402	54,602	54,602	58,292	61,982	62,346	62,346	62,346	62,346
CELEBRATION CRUISE LINE	0	0	0	0	0	1,500	1,500	1,500	1,500	1,500	1,500
CELEBRITY CRUISES, INC.	14,762	13,388	16,238	17,218	20,068	21,048	23,898	23,898	23,898	23,898	23,898
CLASSICAL CRUISES	312	312	312	312	312	0	0	0	0	0	0
CLIPPER CRUISE LINE	490	490	490	490	490	0	0	0	0	0	0
CLUB MED	386	386	386	386	386	386	386	386	386	386	386
COMPAGNIE DU PONANT	0	0	0	0	0	880	880	880	880	880	880
COSTA CRUISES	20,265	23,265	23,265	28,525	30,785	34,724	34,002	34,002	37,702	37,702	37,702
CRYSTAL CRUISES	2,014	2,014	2,014	1,992	1,992	1,992	1,992	1,992	1,992	1,992	1,992
CUNARD LINE	4,411	6,411	4,620	4,620	6,712	6,712	6,712	6,712	6,712	6,712	6,712
DELTA QUEEN STMBT CO.	0	0	0	0	0	0	0	0	0	0	0
DISNEY CRUISE LINE	3,508	3,508	3,508	3,508	3,508	6,008	8,508	8,508	8,508	8,508	8,508
EUROPAMERICA RIVER	1,697	1,697	1,697	1,697	1,697	0	0	0	0	0	0
HOLLAND AMERICA LINE	18,847	18,915	21,087	21,335	23,493	23,493	23,493	23,493	23,493	23,493	23,493
HURTIGRUTEN	5,923	5,923	5,923	5,923	5,923	5,865	5,865	5,865	5,865	5,865	5,865
IBEROCRUCEROS	0	0	0	0	0	4,938	4,938	4,938	4,938	4,938	4,938
LINDBLAD EXPEDITIONS	0	0	0	0	0	414	414	414	414	414	414
LOUIS CRUISES	0	0	0	0	0	2,422	2,410	2,410	2,410	2,410	2,410
MSC CRUISES USA	11,623	13,548	19,398	21,808	24,358	24,358	27,758	31,260	31,260	31,260	31,260
NORWEGIAN CRUISE LINE	25,728	25,326	23,560	22,138	26,346	26,346	26,346	30,315	34,284	34,284	34,284
OCEAN VILLAGE	0	0	0	0	0	1,620	1,620	1,620	1,620	1,620	1,620
OCEANIA CRUISES, INC.	2,052	2,052	2,052	2,052	2,052	3,302	3,868	3,868	3,868	4,552	4,552
P&O	0	0	0	0	0	14,900	14,900	14,900	14,900	14,900	14,900
PAUL GAUGUIN CRUISES	0	0	0	0	332	332	422	422	422	422	422
PEARL SEAS CRUISES	0	0	0	0	210	0	210	210	210	210	210
PRINCESS CRUISES	31,880	34,110	37,220	37,220	37,220	36,510	36,510	40,110	43,710	43,710	43,710
PULLMANTUR	0	0	0	0	0	7,984	7,984	7,984	7,984	7,984	7,984
REGENT SEVEN SEAS CRUISES	2,422	2,422	2,422	2,422	1,892	1,892	1,892	1,892	1,892	1,892	1,892
ROYAL CARIBBEAN INTL.	49,204	52,838	53,362	56,488	61,888	61,888	61,888	61,888	65,988	70,088	70,088
SEABOURN CRUISE LINE	624	624	624	1,074	1,524	1,974	1,974	1,974	1,974	1,974	1,974
SEADREAM YACHTS	110	110	110	220	220	220	220	220	220	220	220
SILVERSEAS CRUISES, LTD.	1,356	1,356	1,488	2,028	2,028	2,160	2,160	2,160	2,160	2,160	2,160
STAR CLIPPER	568	568	568	568	568	567	567	567	567	567	567
TAUCK RIVER CRUISES	0	0	0	0	0	472	472	472	472	472	472
THOMPSON	0	0	0	0	0	7,876	7,876	7,876	7,876	7,876	7,876
TUI	0	0	0	0	0	1,850	1,850	1,850	1,850	1,850	1,850
UNIWORLD RIVER CRUISES	0	1,206	1,426	1,640	1,422	1,764	1,824	1,824	1,824	1,824	1,824
VIKING RIVER CRUISES	0	0	0	0	0	4,500	4,500	4,500	4,500	4,500	4,500
VOYAGES OF DISCOVERY	0	0	0	0	0	1,000	1,000	1,000	1,000	1,000	1,000
VOYAGES TO ANTIQUITY	0	0	0	0	0	560	560	560	560	560	560
WINDSTAR CRUISES	608	608	608	608	608	608	608	608	608	608	608
Total	249,954	266,738	280,558	296,587	318,405	390,576	403,675	415,477	430,847	435,772	435,773

Exhibit 3a: Financial Statements

NCL Corporation Ltd.
Consolidated Statements of Operations
(in thousands, except share and per share data)

	Year Ended December 31,		
	2012	2011	2010
Revenue			
Passenger ticket	\$1,604,563	\$1,563,363	\$1,411,785
Onboard and other	671,683	655,961	600,343
Total revenue	2,276,246	2,219,324	2,012,128
Cruise operating expense			
Commissions, transportation and other	410,531	410,709	379,532
Onboard and other	173,916	169,329	153,137
Payroll and related	293,059	290,822	265,390
Fuel	283,678	243,503	207,210
Food	125,807	124,933	114,064
Other	191,442	228,580	227,843
Total cruise operating expense	1,478,433	1,467,876	1,347,176
Other operating expense			
Marketing, general and administrative	251,183	251,351	264,152
Depreciation and amortization	189,537	183,985	170,191
Total other operating expense	440,720	435,336	434,343
Operating income	357,093	316,112	230,609
Non-operating income (expense)			
Interest expense, net	(189,930)	(190,187)	(173,672)
Other income (expense)	1,393	934	(33,951)
Total non-operating income (expense)	(188,537)	(189,253)	(207,623)
Net income	\$168,556	\$126,859	\$22,986
Earnings per share			
Basic	\$0.95	\$0.71	\$0.13
Diluted	\$0.94	\$0.71	\$0.13
Weighted-average shares outstanding (1)			
Basic	178,232,850	177,869,461	177,563,047
Diluted	179,023,683	178,859,720	178,461,210

Exhibit 3b: Financial Statements

NCL Corporation Ltd.
Consolidated Balance Sheets
(in thousands, except share data)

	December 31,	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$45,500	\$58,926
Accounts receivable, net	15,062	8,159
Inventories	39,681	36,234
Prepaid expenses and other assets	64,686	48,824
Total current assets	164,929	152,143
Property and equipment, net	4,960,142	4,640,093
Goodwill and tradenames	611,330	602,792
Other long-term assets	202,026	167,383
Total assets	\$5,938,427	\$5,562,411
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$221,233	\$200,582
Accounts payable	79,126	80,327
Accrued expenses and other liabilities	231,040	208,102
Due to Affiliate	59,897	2,963
Advance ticket sales	353,793	325,472
Total current liabilities	945,089	817,446
Long-term debt	2,764,120	2,837,499
Due to Affiliate	147,364	—
Other long-term liabilities	63,070	63,003
Total liabilities	3,919,643	3,717,948
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Ordinary shares, \$.0012 par value; 40,000,000 shares authorized; 21,000,000 shares issued and outstanding	25	25
Additional paid-in capital	2,335,563	2,331,973
Accumulated other comprehensive income (loss)	(17,619)	(19,794)
Retained earnings (deficit)	(299,185)	(467,741)
Total shareholders' equity	2,018,784	1,844,463
Total liabilities and shareholders' equity	\$5,938,427	\$5,562,411

Exhibit 4 – Deck Plans for Three Ship Styles

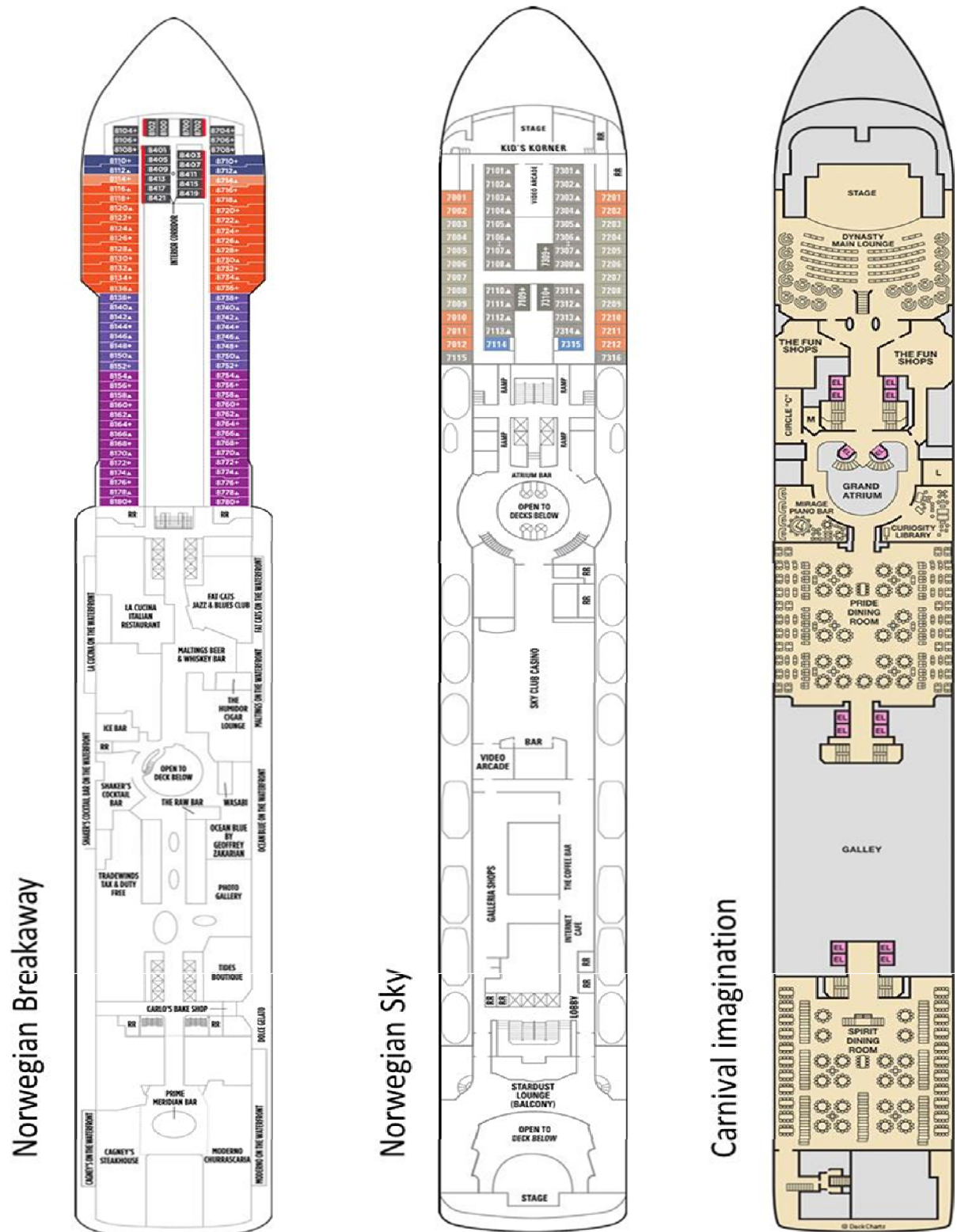
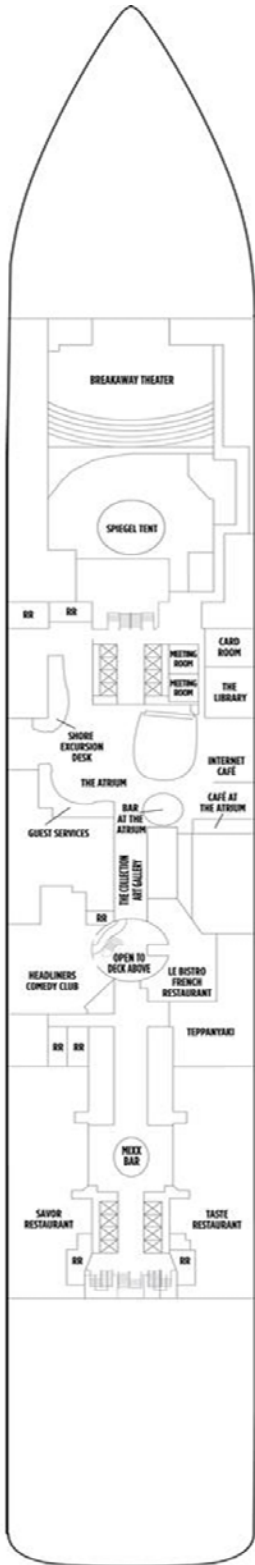


Exhibit 5 – Breakaway Deck Plans

Norwegian Breakaway, Deck 6



Norwegian Breakaway, Deck 7



Norwegian Breakaway, Deck 8

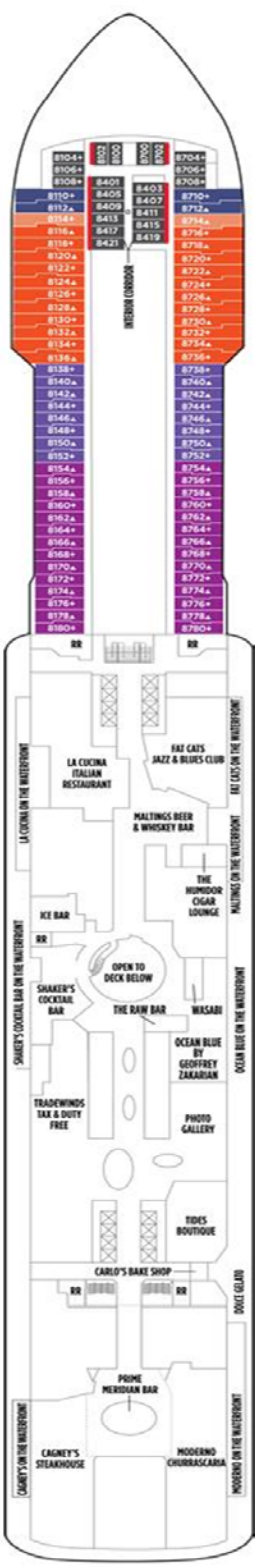


Exhibit 6 – Norwegian Epic Statistics & Capacities

Gross Tonnage (GT)	155,873
Length Overall (m)	329.18
Double Occupancy	4,100
Max Occupancy	5,186
Crew Berths	1,708

	Sq Ft	Seats
Total Dining	91,664	3,758
Inside Dining	80,054	3,152
Main Dining	22,564	1,118
Aft Main Dining	11,739	592
Atrium Dining	10,825	526
Buffet	20,788	680
Specialty Dining	19,077	806
Le Bistro (\$)	2,399	126
Steakhouse Restaurant (\$)	3,282	146
Churrascaria (\$)	2,679	114
Chinese & Noodle Bar (\$)	2,690	109
Teppanyaki (\$)	2,270	104
Sushi (\$)	990	25
Italian (\$)	4,767	182
24 Hour Dining	9,964	269
Dinner Show (\$)	5,638	217
Private Dining (Suite Guests Only)	2,023	62
Outdoor Dining	11,610	606
Outside Buffet	7,758	366
Outdoor Grill	3,852	240

	Sq Ft	Seats
Total Bar	16,710	542
Atrium Bar	4,250	106
Theater Entrance and Bar	183	6
Casino Bar	527	14
Whiskey Bar	3,099	92
Ice Bar (\$)	624	25
Cocktail Bar	2,152	66
Churrascaria Lounge	2,303	67
Studio Lounge	1,076	70
Pool Bar	516	24
Private Lounge (Suite Guests Only)	1,980	62

	Sq Ft	Seats
Entertainment	25,383	1,223
Theater	10,857	672
Night Club (Bliss)	8,597	132
Comedy Club/Spinnaker	3,077	259
Jazz Club	2,851	160

	Sq Ft
Casino	18,679
Central Retail	13,310
Spa and Gym	27,094
Atrium Reception	4,186
Kids Club	6,940
Teen Lounge	1,808
Video Arcade	1,442
Pool/Sun Deck/Aqua Park	45,095
Pool Only Total	1,286
Main Pools	752
Aft Pools	258
Courtyard Pool	277

Exhibit 7 – Old Advertising of Freestyle

*It's hard to watch a sunset
with one eye on the clock.*

At Norwegian Cruise Line, we understand that freedom is the ultimate luxury. That's why we created Freestyle Cruising - where you can do what you want, when you want on your vacation.

There are no rules to follow and no schedules to keep. We won't tell you when to eat or what to wear, and we'll never ask you to sit with strangers. Plus, with as many as 13 restaurants on board each ship, you can enjoy a new dining experience every day of your trip.

With Freestyle Cruising, you're free to spend each day your way. Plan an exotic island excursion offshore, or relax poolside at our garden villas. You can plan your time—or not. And with hundreds of luxurious amenities, entertainment options and 24-hour in-suite menu service, you can spend your time placing orders instead of following them.

We invite you to take the liberty of, well, liberty. It's that simple. Visit us online at www.ncl.com to experience Freestyle Cruising—where you're free to whatever.

NCL
NORWEGIAN CRUISE LINE
FREESTYLE CRUISING



NORWEGIAN CRUISE LINE®

FREESTYLE CRUISING®

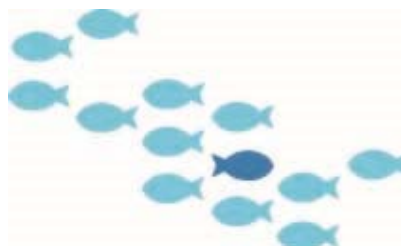

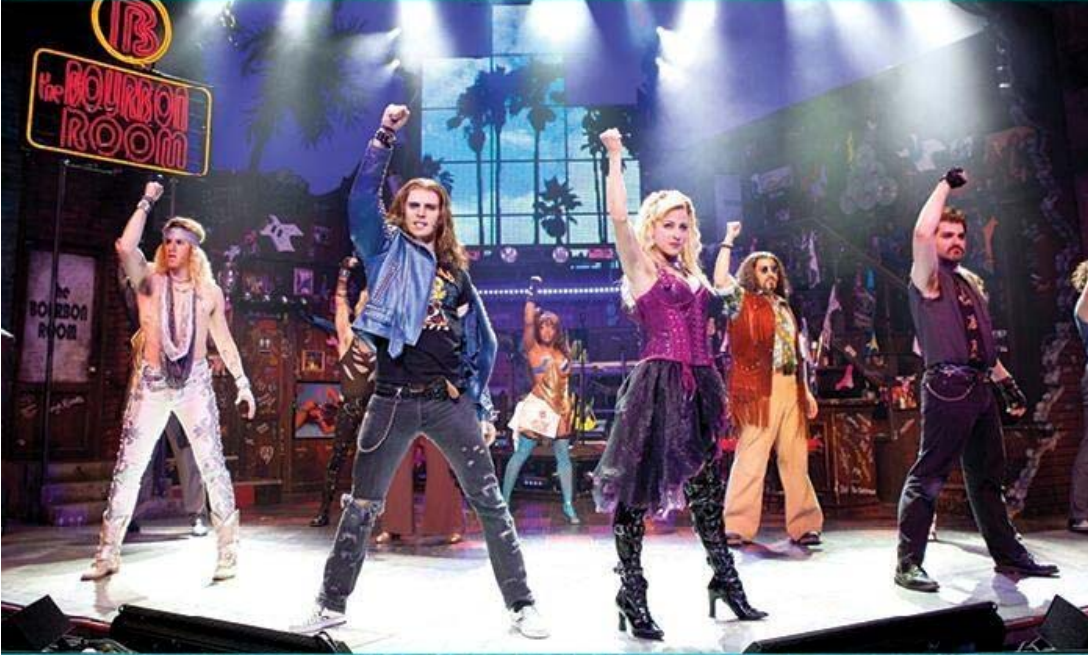


Exhibit 8 - New Advertising of Breakaway

03 DAYS TO NORWEGIAN BREAKAWAY



When your homeport is NYC, your entertainment better ROCK. Does it ever! Get ready to experience 3 award-winning Broadway shows on Norwegian Breakaway: Rock of Ages, Burn The Floor and Cirque Dreams Jungle Fantasy.

CRUISE LIKE A NORWEGIAN

**CRUISE
LIKE A
NORWEGIAN**

TM

Exhibit 9: Passenger Capacity and Crew Counts

	<u>Ship</u>	<u>Double Occupancy</u>	<u>Crew</u>
Norwegian			
	Epic	4,100	1,753
	Jade	2,402	1,078
	Gem	2,394	1,101
	Pearl	2,394	1,099
	Jewel	2,376	1,100
	Star	2,348	1,083
	Dawn	2,224	1,073
	Aloha	2,138	940
	Spirit	2,018	962
	Sky	2,004	934
	Sun	1,936	953
	Total	26,334	12,076
Carnival			
	Breeze	3,690	1,386
	Magic	3,690	1,367
	Dream	3,646	1,367
	Splendor	3,006	1,150
	Liberty	2,987	1,160
	Conquest	2,984	1,150
	Glory	2,984	1,150
	Valor	2,984	1,180
	Freedom	2,974	1,150
	Triumph	2,758	1,100
	Victory	2,758	1,100
	Legend	2,124	930
	Miracle	2,124	934
	Pride	2,124	930
	Ecstasy	2,056	920
	Fantasy	2,056	920
	Fascination	2,056	920
	Imagination	2,056	920
	Sensation	2,056	920
	Inspiration	2,054	920
	Paradise	2,052	920
	Elation	2,052	920
	Paradise	2,052	920
	Total	59,323	24,334