



**STAR CRUISES GROUP ANNOUNCES FIRST QUARTER EARNINGS FOR 2002**

Key Points:-

- Capacity increased by 15.5% to 2,088,942 capacity days
- EBITDA increased by 19.0% to US\$ 74.0 million
- Operating Income increased by 37.1% to US\$35.8 million
- Net Income increased by 42.8% to US\$6.3 million
- Ship Operating Expenses per capacity day decreased by 8.6%
- Selling General and Administrative Expenses per capacity day decreased by 19.1%

Star Cruises Group

For the first quarter ended March 31, 2002, Star Cruises Group, ("the Group") recorded a 37.1% increase in operating income to US\$35.8 million from US\$26.1 million for the same period in 2001 on the back of a 15.5% capacity increase, despite a net yield decline of 8.3%. The results for the quarter was boosted by greater scale economies with the addition of two new ships in Norwegian Cruise Line as well as the effect of stringent cost control measures put in place over the past year.

Net income for the quarter ended March 31, 2002 was US\$6.3 million as compared with US\$4.4 million for the quarter ended March 31, 2001. Net income for the quarter was negatively impacted by US\$5.9 million of expenses relating to the refinancing of a 5-year syndicated term-loan. Such amount represented the unamortised balance of the extinguished debt issuance costs. For the same quarter ended March 31, 2001, the Group recognised a gain of US\$5.5 million on foreign exchange contracts. Excluding these events, the net income for the quarter ended March 31, 2002 would be US\$12.3 million as compared with a net loss of US\$1.1 million for the same period in 2001.

The Group's revenue for the quarter ended March 31, 2002 was US\$368.0 million, up 9.7% from US\$335.4 million for the quarter ended March 31, 2001. Lower prices for the bookings taken in the first few months subsequent to the terrorist attacks of September 11, 2001 as well as the lower occupancies for the longer itinerary ships have resulted in the decline in yield.

On a per capacity day basis, ship operating expenses were 8.6% lower for the quarter ended March 31, 2002 as compared with the first quarter ended March 31, 2001. The reduction in the ship operating expenses was achieved through cost control initiatives implemented in 2001, and the rationalisation of its cruise operations in North Asia in

November 2001 following the September 11 events. The ship operating costs during the first half of 2001 were higher than in the previous year as the Group incurred higher costs in the introduction of the Freestyle Cruising concept to ensure its early success and in upgrading the safety level for the fleet of the NCL Group. As ship operations become comfortable with this new approach, the hotel manning costs have been scaled back.

As the cost control measures put in place over the year take effect, the selling, general and administrative expenses decreased 19.1% per capacity day for the first quarter of 2002 as compared with the first quarter of 2001. The Group also benefited from the economies of scales as a result of increased capacity with the introduction of Norwegian Sun and Norwegian Star in the second half of 2001. Additionally, the merging of the shoreside operations of Orient Lines and NCL during the last quarter of 2001 has also created further scale economies.

Non-operating expenses for the quarter was marginally higher by 8.6% from US\$21.7 million for the quarter ended March 31, 2001 to US\$23.5 million for the quarter ended March 31, 2002. The increase in non-operating expenses was mainly a result of gains on foreign exchange contracts and income tax benefits in the first quarter of 2001, which were partially offset by the benefits of lower interest rates.

#### Star Cruises (excluding NCL)

For the first quarter ended March 31, 2002, Star Cruises operated with 19.3% less capacity days compared to the first quarter of 2001. Yield was 2.7% lower as a result of the slowing Asian economies versus the same period in 2001. The 19.3% decline in capacity days was primarily due to cessation of cruise operations in Taiwan and Japan as part of the overall reconsolidation strategy following the September 11 events. This was partially offset by the introduction into service of Wasa Queen in September 2001.

On a per capacity day basis, ship operating expenses were reduced by 2.8% for the quarter ended March 31, 2002 from the quarter ended March 31, 2001. Star Cruises achieved a 6.7% reduction in selling, general and administrative expenses 1Q on 1Q despite the loss in economy of scale resulting from the lower capacity days. This is attributed to the further tightening of the cost management programme begun in 1997 following the Asian Currency Crisis.

#### NCL Group

NCL Group recorded an increase in capacity days of 40.6% for the quarter ended March 31, 2002 compared to the quarter ended March 31, 2001. Yield was lower by 6.0%. The increase in capacity days was primarily due to the introduction into service of Norwegian Sun in August 2001 and Norwegian Star in December 2001.

Ship operating expenses for NCL Group during the first half of 2001 was significantly higher than in the previous year as heavy spending was made on introducing the Freestyle Cruising and upgrading the safety level for the fleet. Hotel staffing was increased and the food quality was significantly improved. As the ships become comfortable with this new approach, the hotel manning costs have been scaled back. Similarly, heavy expenditure were incurred in 2001 when most of the marine operational initiatives were undertaken to upgrade their standards. Accordingly, virtually every major cost line of the ship operating expenses has been reduced in the first quarter this year versus a year ago.

Selling, general and administrative expenses declined 27.8% as compared to first quarter last year on a per capacity day basis. As NCL Group expands, it begins to benefit from the economies of scales as a result of increased capacity. The merging of

the shoreside operations of Orient Lines and NCL during the last quarter of 2001 has also created further economies. Additionally, the cost control measures taken post September 11, 2001 have also ensured the expenses were tightly under control. However, most of the efficiencies had already been obtained prior to September 11, 2001 in the run up to the introduction of the two new ships.

### **MORE ON STAR CRUISES**

*Star Cruises is the fourth largest cruise line in the world presently operating a combined fleet of 19 ships with over 24,000 lower berths, with cruises to destinations and islands in Asia-Pacific, North and South America, Caribbean, Alaska, Europe, Mediterranean, Bermuda and Antarctica under the Star Cruises, Norwegian Cruise Line, Orient Lines and Cruise Ferries brands. By end 2002, with the one ship currently on order, Star Cruises will have over 26,000 lower berths. Star Cruises is represented in more than 20 locations worldwide with offices in Australia, New Zealand, China, Germany, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Norway, Philippines, Singapore, Sweden, Switzerland, Taiwan, Thailand, United Kingdom and the United States of America.*

*For more information on Star Cruises and NCL, please visit [www.starcruses.com](http://www.starcruses.com) and [www.ncl.com](http://www.ncl.com) respectively.*

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**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2002 AND 2001**  
**PREPARED IN ACCORDANCE WITH US GAAP**  
(in thousands of US dollars, except per share and operating data)

	First Quarter Ended March 31,	
	<u>2002</u>	<u>2001</u>
	unaudited	unaudited
Revenues	\$368,042	\$335,382
Costs and expenses		
Operating expenses	(237,180)	(212,556)
Selling, general and administrative expenses	(56,839)	(60,615)
Depreciation and amortization	(38,245)	(36,123)
Total costs and expenses	(332,264)	(309,294)
Operating income	35,778	26,088
Non-operating income (expense)		
Interest income	373	3,207
Interest expense, net of capitalized interest	(23,851)	(32,169)
Income tax (expense) benefit	(84)	2,419
Other income, net	39	4,885
Total non-operating expense	(23,523)	(21,658)
Net income before extraordinary items	12,255	4,430
Extraordinary items - loss on extinguishment of debt, net of tax	(5,927)	-
Net income	\$ 6,328	\$ 4,430
Earnings per share in US cents:		
- Basic	0.15	0.11
- Diluted	0.15	0.11
Weighted average common stock outstanding ('000)	4,147,120	4,143,299
Weighted average common stock outstanding and assuming dilution ('000)	4,159,121	4,178,350
<u>Unaudited operating data</u>		
Passenger Cruise Days	1,962,682	1,694,181
Capacity Days	2,088,942	1,808,704
Occupancy as a percentage of capacity days	94%	94%

## Reconciliation of results prepared under US GAAP to HK GAAP

For information on the Group's HK GAAP announcement, kindly visit the Group's website at [www.starcruiises.com](http://www.starcruiises.com). The following reconciles the Group's results prepared under US GAAP to HK GAAP.

(in thousands of US dollars)	First Quarter ended March 31,	
	<u>2002</u>	<u>2001</u>
Net income prepared under US GAAP	\$6,328	\$4,430
<u>HK GAAP adjustments :</u>		
Interest capitalisation	(748)	(4,617)
Forward contract loss	(478)	-
Amortization of intangible assets	(4,102)	-
Others, net	(319)	31
Net income (loss) prepared under HK GAAP	<u>\$681</u>	<u>(\$156)</u>