



**STAR CRUISES GROUP ANNOUNCES FIRST QUARTER RESULTS FOR 2003**

Key points for the quarter and in comparison with Q1 2002: -

- Capacity increased by 9.5% from 2,088,942 to 2,286,507 capacity days
- Revenue increased by 11.9% from US\$ 368.0 million to US\$ 412.0 million
- EBITDA decreased by 6.2% from US\$ 74.0 million to US\$ 69.5 million
- Operating Income decreased by 27.7% from US\$ 35.8 million to US\$ 25.9 million
- Net loss was US\$ 2.2 million, down from net income of US\$ 6.3 million
- Net yield was up by 2.3%
- Ship Operating Expenses excluding fuel costs per capacity day were up by 4.6%
- Selling, General and Administrative Expenses ("SG&A") per capacity day were up by 1.4%

**Star Cruises Group**

For the first quarter ended March 31, 2003, Star Cruises Group (the "Group") recorded a net loss of US\$ 2.2 million as compared with a net income of US\$ 6.3 million for the quarter ended March 31, 2002. Net income for the first quarter of 2002 included a charge of US\$5.9 million in connection with the refinancing of a 5-year syndicated debt.

The Group's revenue for the quarter ended March 31, 2003 was 11.9% higher compared with the same quarter in 2002 due mainly to an increase in capacity of 9.5%. Net yield, defined as net revenue per capacity day after deducting such costs as commissions, air tickets and other direct costs was 2.3% higher.

During the first quarter of 2003, excluding fuel costs, the combined ship operating expenses and SG&A expenses per capacity day was 3.6% up as compared with the same period in 2002. This increase was primarily due to increased environmental and security expenses. In addition, shore costs per capacity day for this quarter were also slightly higher as compared with the same quarter in 2002 due mainly to expansion in the new China market from the second half of 2002.

Fuel costs were up by approximately 60% on a per capacity day basis and this sizeable increase over first quarter of 2002 was responsible for approximately US\$11.1 million in negative variance to last year's first quarter result.

#### Star Cruises (excluding NCL)

For the first quarter ended March 31, 2003, Star Cruises operated with 4.9% higher capacity as compared with the same quarter in 2002. 2003 first quarter's net yield was essentially the same as that of first quarter of 2002. Total ship operating expenses and SG&A expenses excluding fuel costs increased 8.5% as compared with the same period in 2002.

Fuel costs were up by approximately 50% on a per capacity day basis and this sizeable increase over first quarter of 2002 was responsible for approximately US\$2.7 million in negative variance to last year's first quarter result.

The results in Asia Pacific were affected by passenger cancellations and greatly reduced forward bookings as a consequence of the outbreak of Severe Acute Respiratory Syndrome ("SARS") especially in the core markets of Hong Kong and Singapore where SuperStar Leo and SuperStar Virgo were hubbed respectively. Capitalizing on the flexibility of the ship deployment and the Group's ability to respond quickly to new opportunities, these two megaships were temporarily redeployed to Australia in April for 1 to 3 months. The strong bookings to-date in Australia given the very short lead time to market and the cooperation from the various government authorities and agencies have been encouraging. Meanwhile, the continuing focus on cost reduction will be further heightened.

The SARS crisis continues to impact negatively the profitability of the Group in the second quarter. However, with the disease slowly coming under control in Hong Kong and Singapore, it is expected that the two core markets will slowly return after the second quarter. Our experience in Australia with the SuperStar Leo and SuperStar Virgo opens another market for the Group for a possible seasonal deployment there in the future. The situation the Group is facing in the Asia Pacific region is unprecedented but manageable.

#### NCL Group

For the first quarter ended March 31, 2003, NCL Group recorded an increase of 11.3% in capacity days compared to the first quarter ended March 31, 2002. This increase was due primarily to the introduction of the purpose built "Freestyle Cruising" ship Norwegian Dawn. There was also a negative impact on available capacity days of two major scheduled dry docks on Norwegian Sea and Crown Odyssey. 2003-first quarter net yield was higher by 3.6% from the first quarter in 2002. The NCL brand net yield was actually up slightly higher than this and the Orient Lines net revenue yield was unchanged from a year ago.

During first quarter of 2003, excluding fuel costs, total ship operating expenses and SG&A expenses were up slightly by 1.7% on a per capacity day basis as compared with the same period in 2002. In large part this was due to the timing of advertising and promotion activities for Norwegian Dawn, with the NCL brand returning to television advertising (in the New York metropolitan market) for the first time in several years.

Fuel costs were up by over 60% on a per capacity day basis and this sizeable increase over first quarter of 2002 was responsible for approximately US\$8.4 million in negative variance to last year's first quarter result.

Accordingly, and in spite of a healthy increase in net yield in difficult circumstances, the NCL Group's EBITDA remained unchanged over last year on an absolute basis and just over 10% down on a per capacity day basis.

The number of bookings taken during the first quarter exceeded the number taken during Q1 last year, but not by as much as capacity is increasing for the year. Consequently the booked load factor at the end of the first quarter for Q2 onwards was significantly down on the position at the end of Q1 last year. Average booked per diems also declined significantly throughout the first quarter, with the forward impact being most pronounced in Q2.

Since the end of hostilities in Iraq there appears to have been a rebound in consumer willingness to book a cruise and the booking volumes during the latter part of April and the first two weeks of May have been well ahead of the same time last year. Pricing remains a challenge though there are some signs of stability returning.

Regarding SARS, extensive preventative measures have been put in place by NCL, in common with the rest of the North American cruise industry. The US Center for Disease Control (CDC) has been highly pro-active in seeking to contain any incidence of possible SARS and to prevent the spread of the virus into the US. The impact of the SARS crisis has been minimal on NCL's North American business as compared to Star's Asian business. The media focus on SARS generally has certainly had a depressing effect on the public's tendency to feel positive about the future and to make forward-looking vacation plans. However, no redeployment has been necessary and NCL's concentration on its Homeland Cruising program has been timely in this respect. So too has the Homeland deployment been helpful in a geopolitical climate in which North Americans are more reluctant to travel overseas for vacations.

During the first quarter, legislation was passed in the United States Congress permitting NCL to embark upon a course of action that will lead to the company operating three modern cruise ships under US flag in coastwise trades (i.e. no requirement for foreign port calls) in Hawaii. In a related development, and with a view to expanding our eventual US flag operations beyond Hawaii and beyond the three ships provided for by Congress, the Group recently purchased two documented US passenger ships, the s/s United States and the s/s Independence. The intention with these two old passenger liners is to convert them to modern cruise ships in a combination of US and European shipyards in a way that is more feasible, technically and economically, than building new cruise ships in their entirety in US shipyards. The timing of such a major conversion project is under study but the Group remains focused in the immediate term on completing the first Project America ship now under construction in Germany and successfully introducing it and the re-flagged Norwegian Sky to Hawaii next year.

## **ABOUT STAR CRUISES GROUP**

Star Cruises is the third largest cruise line in the world presently operating a combined fleet of 20 ships with over 26,000 lower berths, with cruises to destinations and islands in Asia-Pacific, North and South America, Hawaii, Caribbean, Alaska, Europe, Mediterranean, Bermuda and the Antarctica under the Star Cruises, Norwegian Cruise Line, Orient Lines & Cruise Ferries brands.

The *Pride of America* - the first of the two Project America vessels - is presently under construction at the Lloyd Werft shipyard in Germany. The 81,000-grt and 2,100 lower berth vessel is expected to commence Hawaii inter-island cruising next year with a "Best of America" theme. The second Project America vessel, which is currently sailing as Norwegian Sky will be renamed Pride of Aloha and will reflect a strong Hawaiian theme which will be accomplished after a refurbishment in September 2004. Both ships will sail under NCL's new US-flag brand - *NCL America*<sup>sm</sup>.

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.starcruises.com](http://www.starcruises.com) and [www.ncl.com](http://www.ncl.com)

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### **Forward-looking statements**

*This press release contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on the current beliefs, assumptions, expectations, estimates and projections of the directors and management of Star Cruises Limited (the "Company") about the industry and markets in which the Company and its subsidiaries (the "Group") operate. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the control of the Group, are difficult to predict and could cause actual result to differ materially from those express or forecast in the forward-looking statements. Factors that could cause actual result to differ materially from those reflected in the forward-looking statements include general economic and business conditions, changes in cruise industry competition, weather and other factors. Reliance should not be placed on these forward-looking statements, which reflect the view of the Company's directors and management as of the date of this press release only. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the release.*

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2003 AND 2002**  
**PREPARED IN ACCORDANCE WITH US GAAP**  
(unaudited, in thousands of US dollars, except per share and operating data)

	First Quarter Ended March 31,	
	2003	2002
Revenues	\$ 411,962	\$ 368,042
Costs and expenses		
Operating expenses	(279,402)	(237,180)
Selling, general and administrative expenses	(63,106)	(56,839)
Depreciation and amortization	(43,596)	(38,245)
Total costs and expenses	(386,104)	(332,264)
Operating income	25,858	35,778
Non-operating income (expense)		
Interest income	941	373
Interest expense, net of capitalized interest	(24,372)	(23,851)
Income tax expense	(256)	(84)
Other expense, net	(4,369)	(5,888)
Total non-operating expense	(28,056)	(29,450)
Net income (loss)	\$ (2,198)	\$ 6,328
Earnings (loss) per share in US cents after adjusting for the effect of rights issue :		
- Basic	(US 0.04 cents)	US 0.15 cents
- Diluted	N/A (note)	US 0.15 cents
Weighted average common stock outstanding after adjusting for the effect of rights issue ('000)	5,095,783	4,290,124
Weighted average common stock outstanding and assuming dilution and after adjusting for the effect of rights issue ('000)	5,097,374	4,302,539
<u>Unaudited operating data</u>		
Passenger Cruise Days	2,129,284	1,962,682
Capacity Days	2,286,507	2,088,942
Occupancy as a percentage of capacity days	93%	94%

*Note: Diluted loss per share for the first quarter ended March 31, 2003 is not shown, as the diluted loss per share is less than the basic loss per share.*

## **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>2003</u>	<u>2002</u>
Net income (loss) under US GAAP	\$ (2,198)	\$ 6,328
<u>HK GAAP adjustments :</u>		
Interest capitalization	-	(748)
Forward contract gain (loss)	1,683	(478)
Amortization of intangible assets	(4,102)	(4,102)
Others, net	(423)	(319)
Net profit (loss) under HK GAAP	<u>\$ (5,040)</u>	<u>\$ 681</u>