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| **PRESS RELEASE** | **August 19, 2003** |
| **FOR IMMEDIATE RELEASE** | **INTERNATIONAL** |

## STAR CRUISES GROUP ANNOUNCES SECOND QUARTER AND FIRST HALF RESULTS FOR 2003

Key points for the quarter and in comparison with Q2 2002: -

- Capacity increased by 4.2% from 2,101,350 to 2,189,339 capacity days
- Revenue decreased by 5.4% from US$389.8 million to US$368.7 million
- EBITDA was US$43.8 million, down from US$97.2 million
- Operating loss was US$5.2 million, down from operating income of US$55.0 million
- Net loss was US$29.0 million, down from net income of US$29.5 million
- Net yield was down by 13.7%
- Ship Operating Expenses per capacity day were up by 7.9%
- Selling, General and Administrative Expenses (“SG&A”) per capacity day were up by 2.9%

Key points for the first half and in comparison with first half of 2002: -

- Capacity increased by 6.8% from 4,190,292 to 4,475,846 capacity days
- Revenue increased by 3.0% from US$757.8 million to US$780.7 million
- EBITDA was US$113.2 million, down from US$171.2 million
- Operating income was US$20.7 million, down from US$90.8 million
- Net loss was US$31.2 million, down from net income of US$35.9 million
- Net yield was down by 6.1%
- Ship Operating Expenses per capacity day were up by 9.5%
- SG&A expenses per capacity day were up by 2.1%

- *Net yield is defined as net revenue per capacity day after deducting such costs as commissions, air ticket costs and other direct costs.*
- *Ship operating expenses is defined as operating expenses excluding such costs as commissions, air ticket costs and other direct costs.*

- *EBITDA is defined as earnings before interest, taxation, depreciation and amortization.*

Star Cruises Group

For the second quarter ended June 30, 2003, Star Cruises Group (the “Group”) recorded a net loss of US$29.0 million as compared with a net income of US$29.5 million for the quarter ended June 30, 2002. The Group’s performance in the second quarter of 2003 was severely affected by the weak passenger demand and booking cancellations resulting from the Iraq conflict and the outbreak of Severe Acute Respiratory Syndrome ("SARS").

Included in the second quarter result this year were expenses of US$3.9 million in connection with SS Norway boiler accident. In second quarter last year, the Group had US$2.9 million of expenses for Leeward settlement expenses, net of amount received for the re-delivery of Norwegian Star 1.

The Group’s revenue for the quarter ended June 30, 2003 was 5.4% lower compared with the same quarter in 2002. The combined effects of the Iraq conflict on NCL Group and the SARS outbreak which decimated demand in the Asia Pacific segment reduced overall occupancy by 4% and net yield by 13.7% as compared to second quarter last year.

During the second quarter of 2003, total ship operating and SG&A expenses per capacity day were 6.5% up as compared with the same period in 2002. In large part, this was due to a US$5.3 million costs associated with business decision taken to mitigate the impact of SARS, including ships redeployment and charges to further streamlining the Asia Pacific operations. In addition, heavy advertising and promotional expenses were also incurred to introduce at short notice the two megaships in Australia during their temporary deployment there.

Net loss for the first six months of this year was US$31.2 million as compared to the net income of US$35.9 million for the same period last year.  Higher fuel prices and the weak passenger demand badly affected the first six months results of this year. Occupancy was 3% lower and net yield declined 6.1% in the first half of the year as compared with the corresponding period last year.

The Group’s revenue for the first half of this year was US$780.7 million, up 3.0% from US$757.8 million reported in the same period last year. The increase was principally due to a 6.8% increase in capacity with the Norwegian Dawn entering service at the end of last year, partially offset by weak passenger demand in the second quarter this year.

On a per capacity day basis, total ship operating and SG&A expenses were 7.4% higher for the six months ended June 30, 2003 as compared with the same period last year. Fuel has been a significant factor in the higher ship operating costs, especially in the lead-up to war. The modest decline in fuel prices since the successful prosecution of the war has meant a better – though still negative – comparison in second quarter than first quarter of fuel prices this year versus last year. The higher fuel costs together with the US$5.3 million costs mentioned above contributed substantially to the increase in ship operating and SG&A expenses this year.

Star Cruises (excluding NCL)

In the second quarter this year, Star Cruises operated with 10.1% lower capacity as compared with the same quarter in 2002 primarily because of reduced trading days due to ship relocations to non-SARS affected areas. Occupancy and net yield in second quarter was 15% and 32% lower respectively as compared with second quarter last year. On a per capacity day basis, ship operating and SG&A expenses increased 15.5% as compared with the same period in 2002 due primarily to ship relocation costs, shore streamlining costs and higher advertising and promotional expenses in Australia. These ship relocations were extended to a longer than normally necessary ten days as a self-imposed SARS quarantine period with no passengers onboard hence no revenue, to ensure a SARS free commencement of the operations. Accordingly, the total cost incurred by the ships for the quarter is divided by a smaller number of capacity days than usual resulting in higher than expected per capacity costs.

For the first six months of this year, capacity was 2.9% lower as compared with corresponding period in 2002. Occupancy and net yield was 12.6% and 15.8% lower as compared with first six months of last year.

On a per capacity day basis, Star Cruises also incurred 14% higher operating and SG&A expenses in the first half of this year compared with corresponding period of last year principally for the reasons above. Fuel costs on a capacity day basis were 13.1% higher in second quarter this year and 28.4% higher for the first half.

With the SuperStar Leo’s and SuperStar Virgo’s return in late July 2003 to Hong Kong and Singapore respectively, following the abatement of SARS in these two hubs, the initial response in both markets have been very encouraging. The tremendous support of the respective local government and relevant authorities augurs well for a rapid return to normalcy for Star Cruises Asia Pacific business.

NCL Group

Although the SARS virus from a public health standpoint had a lesser impact in North America than Asia, it nevertheless had a discernable impact on the travel industry in addition to the already considerable impact of the Iraq war. The build-up to war in Iraq was clearly a major depressant on booking activity during the traditionally strong first three months of the year in which people make their summer vacation plans, and the voyages in second quarter have suffered significant yield erosion because of the booking environment in first quarter. Reluctance to travel during second quarter, as a result of SARS and the hang over from the war meant that revenues from a higher proportion than normal of close-in bookings were also impacted negatively.

In May, the SS Norway suffered a tragic and severe accident, which caused the loss of eight crew members’ lives and the injury of several others. The ship was out of service for the last 37 days of the quarter and remains out of service today. However, most of the ship’s operating costs continued to be incurred during this out of service period while an accident investigation process took place in Miami.

Occupancy in second quarter dropped to 103.6% versus 105.1% last year. In spite of the many negative influences, net yield dropped by only 4.3%. Ship operating costs per capacity day rose by 6.8% over second quarter last year, or by 3.6% if fuel costs and the out-of-service impact of Norway are excluded. SG&A costs on a capacity day basis fell by 4.8% over second quarter last year.

For the first half, occupancy was 103.1% versus 102.7% last year. Net yield was down by just 0.5%. Ship operating costs per capacity day rose by 8.3%, or by 2.8% if fuel and the impact of Norway are excluded. Fuel costs on a capacity day basis were 10.4% higher in second quarter this year and 33.4% higher for the first half.

Operating income has fallen by around 50% to US$11.3 million in second quarter and by 43% to US$24.3 million in the first half.

The drop in net revenues is consistent with market conditions reported by our principal North American competitors in both second quarter and first half. The deterioration in our unit cost position at the ship operating level in second quarter reflects a modest increase in a number of cost lines exacerbated considerably by a drydock out of service period on Norwegian Wind and five weeks out of service at the end of second quarter in which Norway incurred costs but had no available passenger days. The first half comparison is also impacted by two dry docks in the first quarter, on Norwegian Sea and Crown Odyssey.

The overall outlook for the remainder of the year is somewhat more optimistic than for the first half although a number of additional costs items related to the new Hawaii operation will begin to hit in the second half. There will also be the unexpected negative impact of the Norway withdrawal, currently estimated to be about US$7 million reduced profits in the second half in addition to the US$3.9 million non-recurring costs already booked in the first half. The summer season generally is going well, with good passage revenues and on board revenues on most of the ships throughout the third quarter. The fourth quarter is now booking well but a large portion of it was sold at discounted prices earlier in the year in an effort to catch up with the considerable shortfall in bookings resulting from the poor demand in the so-called Wave Period earlier in the year.

A bright spot in both second quarter and the first half is that our new ships continue to perform extremely well and compare favorably in both revenues and operating costs with the industry generally. The forward picture on these ships particularly continues to be encouraging.

## ABOUT STAR CRUISES GROUP

Star Cruises, the **third largest cruise line in the world** is a global cruise brand 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 completion 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 (sm).

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 and 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 SECOND QUARTER AND SIX MONTHS ENDED JUNE 30, 2003 AND 2002**
**PREPARED IN ACCORDANCE WITH US GAAP**
**(unaudited, in thousands of US dollars, except per share and operating data)**

| | Second Quarter ended June 30, | | Six Months ended June 30, | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| Revenues | $ 368,696 | $ 389,756 | $ 780,658 | $ 757,798 |
| Costs and expenses | | | | |
| Operating expenses | (262,386) | (234,227) | (541,788) | (471,407) |
| Selling, general and administrative expenses | (62,536) | (58,322) | (125,642) | (115,161) |
| Depreciation and amortization | (45,019) | (39,290) | (88,615) | (77,535) |
| Other expenses | (3,932) | (2,931) | (3,932) | (2,931) |
| Total costs and expenses | (373,873) | (334,770) | (759,977) | (667,034) |
| Operating income (loss) | (5,177) | 54,986 | 20,681 | 90,764 |
| Non-operating income (expense) | | | | |
| Interest income | 725 | 625 | 1,666 | 998 |
| Interest expense, net of capitalized interest | (23,266) | (23,904) | (47,638) | (47,755) |
| Income tax expense | (437) | (451) | (693) | (535) |
| Other expense, net | (808) | (1,723) | (5,177) | (7,611) |
| Total non-operating expense | (23,786) | (25,453) | (51,842) | (54,903) |
| Net income (loss) | $ (28,963) | $ 29,533 | $ (31,161) | $ 35,861 |
| Earnings (loss) per share in US cents after adjusting for the effect of rights issue in December 2002: | | | | |
| - Basic | (0.59) | 0.68 | (0.63) | 0.83 |
| - Diluted | N/A | 0.68 | N/A | 0.83 |
| Weighted average common stock outstanding after adjusting for the effect of rights issue in December 2002 ('000) | 4,946,177 | 4,331,552 | 4,946,175 | 4,310,952 |
| Weighted average common stock outstanding and assuming dilution and after adjusting for the effect of rights issue in December 2002 ('000) | 4,946,177 | 4,346,885 | 4,946,175 | 4,324,747 |
| <u>Operating data</u> | | | | |
| Passenger Cruise Days | 2,053,526 | 2,060,397 | 4,182,810 | 4,023,079 |
| Capacity Days | 2,189,339 | 2,101,350 | 4,475,846 | 4,190,292 |
| Occupancy as a percentage of capacity days | 94% | 98% | 93% | 96% |

*Note: Diluted loss per share for the second quarter and six months ended June 30, 2003 are not shown, as the stock option outstanding during the periods has an anti-dilutive effect on the basic loss per share for the respective period.*

## 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.starcruises.com. The following reconciles the Group's results prepared under US GAAP to HK GAAP.

| (unaudited, in thousands of US dollars) | Second Quarter ended June 30, | | Six Months ended June 30, | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| Net income (loss) under US GAAP | $ (28,963) | $ 29,533 | $ (31,161) | $ 35,861 |
| HK GAAP adjustments: | | | | |
| Interest capitalization | - | (718) | - | (1,466) |
| Forward contract gain (loss) | 1,067 | (2,282) | 2,750 | (2,760) |
| Amortization of intangible assets | (3,747) | (4,101) | (7,849) | (8,203) |
| Others, net | (424) | (147) | (847) | (466) |
| Net profit (loss) under HK GAAP | $ (32,067) | $ 22,285 | $ (37,107) | $ 22,966 |