



---

**PRESS RELEASE  
FOR IMMEDIATE RELEASE**

**November 13, 2003  
INTERNATIONAL**

---

**STAR CRUISES GROUP ANNOUNCES EARNINGS FOR THIRD QUARTER AND FIRST NINE MONTHS OF 2003**

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

- Capacity increased marginally from 2,133,505 to 2,168,005 capacity days
- Revenue decreased from US\$447.4 million to US\$437.5 million
- EBITDA was US\$117.5 million, down from US\$120.6 million
- Operating income increased slightly from US\$80.8 million to US\$81.1 million
- Net income increased by 4.3% from US\$56.2 million to US\$58.6 million
- Net yield was down by 3.4%
- Ship Operating Expenses per capacity day were down by 0.4%
- Selling, General and Administrative Expenses ("SG&A") per capacity day were down by 9.9%

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

- Capacity increased by 5.1% from 6,323,797 to 6,643,851 capacity days
  - Revenue increased by 1.1% from US\$1,205.2 million to US\$1,218.2 million
  - EBITDA was US\$230.7 million, down from US\$291.8 million
  - Operating income was US\$101.8 million, down from US\$171.5 million
  - Net income was US\$27.4 million, down from US\$92.0 million
  - Net yield was down by 5.3%
  - Ship Operating Expenses per capacity day were up by 6.0%
  - SG&A expenses per capacity day were down by 2.0%
- *Net yield represents net revenue per capacity day after deducting such costs as commissions, air ticket costs and other direct costs.*
  - *Ship operating expenses represent operating expenses excluding such costs as commissions, air ticket costs and other direct costs.*
  - *EBITDA represents earnings before interest, taxation, depreciation and amortization.*

## Star Cruises Group

For the third quarter ended September 30, 2003, Star Cruises Group (the "Group") recorded a net income of US\$58.6 million as compared with a net income of US\$56.2 million for the quarter ended September 30, 2002. Included in the third quarter results this year was a US\$9.2 million in proceeds from the loss-of-hire coverage net of related expenses arising from the s/s Norway boiler accident.

The Group's revenue for the quarter ended September 30, 2003 was 2.2% lower compared with the same quarter in 2002. Despite a slight capacity increase, revenue was lower primarily due to lower cruise ticket prices and overall occupancy level. As a result, net yield decreased 3.4% from the third quarter of 2002. The lower net yield and occupancy level were mainly the result of the tail-end effect of Severe Acute Respiratory Syndrome ("SARS") on the Asia-Pacific business. The capacity increase of 1.6% was primarily due to the introduction of Norwegian Dawn, which was substantially offset by the non-operation of s/s Norway following its incident in May 2003.

During the third quarter of 2003, total ship operating and SG&A expenses per capacity day were 3.1% down as compared with the same period in 2002. This was largely due to further cost reduction initiatives taken in Asia Pacific during the SARS outbreak period, partially offset by the costs relating to the new Hawaii operations in the quarter, expenses of s/s Norway during this quarter and higher fuel costs. Fuel costs were up by approximately 3.0% on a per capacity day basis.

Net income for the first nine months of this year was US\$27.4 million as compared to US\$92.0 million for the same period last year. Included in the first nine months results this year was US\$5.3 million of net insurance proceeds related to the s/s Norway boiler accident. The continuing security alerts, acts of terrorism, the war in Iraq and the SARS pandemic have all affected negatively the Group's performance in the first nine months this year. Occupancy was 3.1% lower and net yield declined 5.3% in the first nine months of this year compared with the corresponding period last year.

The Group's revenue for the first nine months of this year was US\$1,218.2 million, up 1.1% from US\$1,205.2 million in the same period last year. The increase was principally due to a 5.1% increase in capacity with the Norwegian Dawn entering service at the end of last year, substantially offset by the weak passenger demand and the withdrawal of s/s Norway at the end of May this year.

On a per capacity day basis, total ship operating and SG&A expenses were 3.7% higher for the nine months ended September 30, 2003 as compared with the same period last year. The previously disclosed US\$5.3 million costs incurred largely in the second quarter in response to the SARS outbreak and the higher fuel prices, especially in the lead-up to the war in Iraq had contributed substantially to the increase in ship operating and SG&A expenses in the first nine months of this year. Fuel costs were up by over 21% on a per capacity day basis which over the first nine months accounted for approximately US\$17 million in negative variance compared to last year's first nine months results.

On October 17, 2003, the Company announced a US\$100 million Rights Issue offering and a US\$180 million Convertible Bonds issue. The Convertible Bonds issue was completed on October 20, 2003. The Company intends to use the net proceeds of these fund raising exercises for the acquisition or construction of vessels, as general working capital and/or to reduce certain of the Group's outstanding bank loans.

### Star Cruises (excluding NCL)

In the third quarter this year, Star Cruises operated with 2.9% higher capacity as compared with the same quarter in 2002. Occupancy level and net yield in third quarter were 10.8% and 12.5% lower respectively as compared with third quarter last year. Net yield weakened as pricing was used to stimulate demand after the containment of SARS when both the SuperStar Virgo and SuperStar Leo were relocated back to their homeport in Singapore and Hong Kong respectively in the latter half of July this year. On a per capacity day basis, ship operating and SG&A expenses decreased 10.4% as compared with the same period in 2002 due primarily to the cost reduction exercises taken during the SARS crisis.

For the first nine months this year, capacity was 1.0% lower as compared with corresponding period in 2002. Occupancy and net yield were 11.8% and 14.5% lower respectively as compared with first nine months of last year.

On a per capacity day basis, Star Cruises incurred 5.1% higher operating and SG&A expenses in the first nine months this year as compared with corresponding period last year. The increase was principally due to higher fuel costs and US\$5.3 million of costs incurred in response to the SARS outbreak. The latter is comprised of ship relocations costs, expenses relating to streamlining the operations as well as higher advertising and promotional costs in promoting the two megaships in Australia during their temporary deployment there. Fuel costs on a per capacity day basis were 17% higher for the first nine months this year as compared with first nine months last year.

After the containment of the SARS outbreak, bookings from the domestic and inbound Asian markets bounced rapidly back to normal, however, the inbound Caucasian market from Australia and Europe which presently make up less than 10% of total passenger load has not fully recovered.

Following from the very positive response during the temporary deployment of the two megaships in Australia, Star Cruises announced in late September a regular seasonal deployment of SuperStar Leo to Australia in 2004 during the peak summer months (January through March) there. Bookings since have been very encouraging.

### NCL Group

The NCL Group had a good third quarter, reflecting a relatively strong summer season for domestic North American cruising. Available capacity days were up by 1.1% over third quarter of 2002 reflecting the introduction of Norwegian Dawn and the counterbalancing absence of s/s Norway. Occupancy rates were slightly down, at 106.8% versus 107.8% last year.

Net yield was up 1.6% over third quarter last year. Most domestic trades performed well from a revenue standpoint. The three Europe-based ships all experienced a more challenging pricing environment. Nevertheless, for the NCL Group overall, the net revenue outcome was encouraging.

Ship operating expenses were higher by 4.2% on a per capacity day basis. However, excluding fuel and the impact of s/s Norway having no capacity days available yet still incurring costs, the underlying ship operating costs were up by only 1.0% on a capacity day basis. SG&A was up 3.7% per capacity day, partly as a result of s/s Norway's absence and partly reflecting costs associated with the start up of the Hawaii-based US flag operations.

Offsetting some of the negative impact of s/s Norway's absence on net revenue and operating costs, non-recurring income of US\$9.2 million was recorded in the quarter, being the balance of the loss-of-hire coverage received following the s/s Norway accident.

EBITDA per capacity day was up 7.8% on third quarter last year, with a total EBITDA in third quarter 2003 of US\$91.9 million being reported versus US\$84.3 million last year. Operating income rose to US\$64.6 million from US\$61.4 million last year; an increase of 4.1% per capacity day.

For the nine months ended September 30, 2003, the NCL Group recorded a 7.7% capacity increase and virtually unchanged occupancy: 104.3% versus 104.4% last year. Net yield was down 0.2%. Ship operating costs were up 6.8% on a capacity day basis; up 4.1% excluding fuel; and up 1.5% excluding fuel and the s/s Norway effect.

SG&A was up 0.3% over last year on a capacity day basis.

EBITDA declined to US\$168.4 million versus US\$172.2 million last year, and operating income declined to US\$88.9 million from US\$104.4 million last year. Both year over year reductions are the result of the difficult trading conditions in the first half of the year.

Norwegian Dawn has completed her first summer in New York and is now moving into her first winter deployment there. The summer has been very successful and we are confident that the winter deployment will turn out to be a strong business too. It is likely, though, that the first winter will be a time of proving to the market that the deployment works operationally. The Hawaii business continues to perform well and forward bookings on next summer's introduction of *Pride of America* are already very encouraging.

Crown Odyssey has now rejoined the NCL fleet as Norwegian Crown and is currently sailing to her winter deployment in South America. Orient Lines, therefore, is back to being a one-ship brand: Marco Polo.

During the quarter, two additional ships for the NCL brand were ordered at Meyer Werft in Germany for delivery in the fall of 2005 and the spring of 2006. These two ships are variations on the Norwegian Dawn/Norwegian Star design that is proving so successful and popular.

## **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 19 ships with over 24,000 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](http://www.starcruises.com) and [www.ncl.com](http://www.ncl.com)

For investor relations and editorial, please contact:

**MALAYSIA**

**Gerard Lim**

*Senior Vice President,*

*Chief Executive Office*

Kuala Lumpur, Malaysia

Tel : (603) 2030 6013

Fax : (603) 2161 3621

Email : [gerard@starcruises.com.my](mailto:gerard@starcruises.com.my)

**Jane Poh**

*Vice President,*

*Corporate Communications*

Port Klang, Malaysia

Tel : (603) 3109 2526

Fax : (603) 3101 1479

Email : [sjpoh@starcruises.com.my](mailto:sjpoh@starcruises.com.my)

- end -

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

	Third Quarter ended September 30,		Nine Months ended September 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues	\$ 437,518	\$ 447,373	\$1,218,176	\$1,205,171
Costs and expenses				
Operating expenses	(262,742)	(264,266)	(804,530)	(735,673)
Selling, general and administrative expenses	(57,307)	(62,555)	(182,949)	(177,716)
Depreciation and amortization	(45,621)	(39,771)	(134,236)	(117,306)
Other income (expenses)	9,229	-	5,297	(2,931)
Total costs and expenses	<u>(356,441)</u>	<u>(366,592)</u>	<u>(1,116,418)</u>	<u>(1,033,626)</u>
Operating income	81,077	80,781	101,758	171,545
Non-operating income (expense)				
Interest income	388	1,266	2,054	2,264
Interest expense, net of capitalized interest	(21,349)	(24,289)	(68,987)	(72,044)
Income tax expense	(568)	(600)	(1,261)	(1,135)
Other expense, net	(966)	(993)	(6,143)	(8,604)
Total non-operating expense	<u>(22,495)</u>	<u>(24,616)</u>	<u>(74,337)</u>	<u>(79,519)</u>
Net income	<u>\$ 58,582</u>	<u>\$ 56,165</u>	<u>\$ 27,421</u>	<u>\$ 92,026</u>
Earnings per share in US cents after adjusting for the effect of rights issue in December 2002:				
- Basic	1.18	1.25	0.55	2.11
- Diluted	1.18	1.25	0.55	2.10
Weighted average common stock outstanding after adjusting for the effect of rights issue in December 2002 ('000)	4,946,489	4,487,267	4,946,279	4,370,370
Weighted average common stock outstanding and assuming dilution and after adjusting for the effect of rights issue in December 2002 ('000)	4,950,712	4,499,279	4,946,477	4,383,281
<u>Operating data</u>				
Passenger Cruise Days	2,176,090	2,225,359	6,358,900	6,248,438
Capacity Days	2,168,005	2,133,505	6,643,851	6,323,797
Occupancy as a percentage of capacity days	100%	104%	96%	99%

## **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.

(unaudited, in thousands of US dollars)	Third Quarter ended September 30,		Nine Months ended September 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net income under US GAAP	\$ 58,582	\$ 56,165	\$ 27,421	\$ 92,026
<u>HK GAAP adjustments:</u>				
Interest capitalization	(1,345)	(733)	(1,345)	(2,199)
Forward contract gain (loss)	(1,281)	4,384	1,469	1,624
Amortization of intangible assets	(3,924)	(4,101)	(11,773)	(12,304)
Others, net	(421)	(78)	(1,268)	(544)
Net profit under HK GAAP	<u>\$ 51,611</u>	<u>\$ 55,637</u>	<u>\$ 14,504</u>	<u>\$ 78,603</u>