



**HK GAAP RESULTS RELEASE
FOR IMMEDIATE RELEASE**

**22 February 2005
INTERNATIONAL**

**STAR CRUISES GROUP ("THE GROUP") ANNOUNCES FOURTH QUARTER AND
FULL YEAR 2004 RESULTS**

The commentary that follows is based on the results prepared in accordance with HK GAAP.

Key points for the quarter and in comparison with 4Q 2003 (before impairment losses, non-recurring expenses and non-cash foreign currency debts translation and forward contracts losses): -

- Capacity decreased by 3.8% from 2.2 million to 2.1 million capacity days
- Net revenue increased by 9.3%
- Net revenue yield increased by 13.7%
- EBITDA increased by 15.9% from US\$55.4 million to US\$64.2 million
- Operating profit increased by 279.4% from US\$5.4 million to US\$20.4 million
- Net loss decreased by 51.3% from US\$19.7 million to US\$9.6 million
- Ship operating expenses per capacity day were up by 13.0%
- Selling, general and administrative expenses ("SG&A") per capacity day were up by 10.2%

Key points for the year and in comparison with year 2003 (before impairment losses, non-recurring expenses and non-cash foreign currency debts translation and forward contracts losses): -

- Capacity decreased by 7.2% from 8.8 million to 8.2 million capacity days
- Net revenue increased by 4.3%
- Net revenue yield was up by 12.4%
- EBITDA increased by 12.5% from US\$286.1 million to US\$322.0 million
- Operating profit increased by 57.8% from US\$88.8 million to US\$140.1 million
- Net profit was US\$31.4 million, up from a net loss of US\$12.3 million
- Ship operating expenses per capacity day were up by 8.4%
- SG&A expenses per capacity day were up by 12.9%

- *Net revenue 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 as well as excluding non-recurring income or expenses.*
- *EBITDA represents earnings before interest, taxation, depreciation and amortisation and excluding non-recurring income or expenses.*

Star Cruises Group

For 4Q 2004, the Group recorded a net loss before impairment loss, non-recurring expenses and non-cash foreign currency debts translation and forward contract losses of US\$9.6 million, as compared with a net loss of US\$19.7 million in 4Q 2003.

In 4Q 2004, the Group recorded an impairment loss of US\$14.5 million on *s/s Norway*, a non-cash Euro denominated debt translation loss of US\$8.5 million, forward contracts losses of US\$3.8 million and US\$0.8 million of non recurring expenses.

In 4Q 2003, the Group recorded US\$99.5 million of ships and tradenames impairment losses, and a legal settlement provision of US\$18.5 million. The forward contracts losses were US\$1.3 million for 4Q 2003. The Group did not have any Euro denominated debt in 2003.

After taking into account the abovementioned charges, the Group's 4Q 2004 net loss was US\$37.2 million as compared with a net loss of US\$139.0 million in 4Q 2003.

The Group's net revenue for 4Q 2004 was 9.3% higher as compared with 4Q 2003 despite a 3.8% decrease in capacity. Net revenue yield was up by 13.7% primarily due to higher net revenue per diem and higher occupancy levels. Occupancy level increased to 104.2% in 4Q 2004 from 97.2% in 4Q 2003. The capacity reduction resulted mainly from the disposals of *m.v. SuperStar Capricorn* and *m.v. SuperStar Aries* which recorded lower than average occupancies in 4Q 2003.

The 4Q 2004 ship operating expenses per capacity day were 13.0% higher as compared with 4Q 2003. The higher cost structure of NCL America and higher crew payroll costs were contributing factors to the increase in the ship operating expenses per capacity day. Fuel costs accounted for 16% of the ship operating expenses. SG&A expenses per capacity day were up 10.2% as compared with 4Q 2003 mainly due to negative scale economy arising from the reduction in capacity and the additional shoreside expenses in Hawaii.

For the year 2004, the Group recorded a net profit of US\$31.4 million before impairment loss, non-recurring expenses, non-cash foreign currency debts translation and forward contracts losses as compared with a net loss of US\$12.3 million before impairment losses and non-recurring expenses for the year 2003.

In 2004, the Group recorded an impairment loss of US\$14.5 million related to the *s/s Norway* and US\$5.1 million of non-recurring expenses, which were mainly for custom fines on *m.v. Norwegian Star* resulting from necessary alterations to the ship's Hawaii/Fanning Island itinerary in response to a problem with the Azipod propulsion system. In addition, the Group recorded a non-cash Euro denominated debt translation loss of US\$9.5 million and forward contracts losses of US\$11.3 million as a result of the weakening US dollars.

In 2003, the Group had US\$5.3 million net proceeds from the loss-of-hire coverage arising from the *s/s Norway* boiler accident which partially offset the abovementioned US\$18.5 million provision for legal settlement and US\$99.5 million of assets impairment losses referred to earlier. The forward contracts gain was US\$0.5 million for 2003.

Consequently, taking into account the abovementioned charges, the net loss for the year 2004 was US\$9.0 million as compared with a net loss of US\$124.5 million for the year 2003.

Similarly, the Group's net revenue for the year 2004 was 4.3% higher as compared with 2003 despite a 7.2% decrease in capacity. Net revenue yield was up by 12.4% in 2004 as compared with 2003 and occupancy level has also increased to 103.8% from 96.1% in 2003.

On a per capacity day basis, total ship operating and SG&A expenses were 9.6% higher for the year 2004 as compared with 2003. A large part, this was due to start up expenses and lay up expenses of *s/s Norway*.

Star Cruises (excluding NCL)

The 4Q 2004 capacity was 40.4% lower as compared with 4Q 2003 because of the disposals of two older and less cost efficient ships and the transfer of *m.v. SuperStar Leo* (renamed *m.v. Norwegian Spirit*) to the NCL Group. Net revenue yield in 4Q 2004 was 42.6% higher as compared with 4Q 2003 and 35.2% higher as compared with 4Q 2002. The higher net revenue yield was driven mainly by higher occupancies and improved onboard revenues. Occupancy level for 4Q 2004 was at 103.8% as compared with 80.9% in 4Q 2003 and 81.9% in 4Q 2002.

Ship operating expenses per capacity day increased 12.0% in 4Q 2004 as compared with 4Q 2003 primarily due to higher crew payroll expenses and passenger related costs which was in line with the increased passenger load. SG&A expenses per capacity day continued to increase as a result of the negative scale economy impact of the capacity reduction.

In the year 2004, capacity was 28.8% lower as compared with the year 2003. Net revenue yield was 34.7% higher as compared with the year 2003 and 18.3% higher as compared with 2002. The occupancy level increased to 96.5% in 2004 from 75.7% and 84.7% for the years 2003 and 2002 respectively. Ship operating and SG&A expenses per capacity day increased 5.3% and 26.4% respectively as compared with 2003 primarily due to the reasons mentioned above.

The recent tsunami in the Indian Ocean which devastated tourist spots in South and Southeast Asia has caused a slight disruption in the travel industry in the region. Barring further severe aftermath, the financial impact on the Group is expected to be modest with the two affected ships, *m.v. SuperStar Virgo* and *m.v. SuperStar Gemini* resuming its regular calls into Phuket once a week from early March 2005.

NCL Group

Capacity days offered in 4Q 2004 were 1.7 million, up 11.6% on 4Q 2003. The International Fleet contributed 89% and the US flag fleet contributed 11% to the overall capacity. Occupancy overall rose from 104.1% to 104.3%. Occupancy in the International Fleet rose from 104.1% to 105.2%. Occupancy on the US flag fleet (one ship) was 96.6%.

Net revenue yield rose 11.9%, or by 10.9% excluding the impact of non-cruise revenue generated by the recently acquired tour company in Hawaii.

Ship operating expenses, including the increased costs of the US flag operation, were up 13.2% per capacity day. Fuel cost per capacity day was up by 16.6% due to the steep rise in fuel cost in 4Q 2004. Fuel accounted for 20% of the overall ship operating expenses increase, or over 80% of the increase excluding the impact of the heightened US flag operating expenses.

The resulting operating margin (net revenue minus ship operating expenses) rose 20.4%, up from US\$67.1 million in 4Q 2003 to US\$80.8 million in 4Q 2004, or by 7.9% per capacity day. For the full year 2004, NCL Group offered 1.5% more capacity days (6.4 million) split as to 93.7% International Fleet and 6.3% US flag fleet. Occupancy was up from 104.2% to

105.9% overall and from 104.2% to 106.2% in the International Fleet. Occupancy on the US flag fleet (one ship) was 100.7%.

Net revenue yield was up 6.9% versus full year 2003 or by 6.7% excluding the impact of revenues from the Hawaii tour operation. Ship operating expenses rose by 9.4% per capacity day, in part due to rising payroll and other costs, and in part due to the heightened cost levels of the US flag operation. Fuel cost per capacity day for 2004 was marginally down on 2003.

Against the 1.5% increase in capacity, NCL Group generated 4.8% more operating margin (net revenue minus ship operating expenses): a US\$17.8 million increase in operating margin, up from US\$369.1 million in 2003 to US\$386.9 million in 2004, or a 3.3% increase per capacity day.

Since the previous quarterly announcement, NCL Group has firmly ordered one more ship and entered into a letter of intent to order another. The first is with Meyer Werft and is an exact repeat of the *m.v. Norwegian Jewel*. It will be delivered in February 2007. Committed financing, at attractive rates, has been secured on this ship. The second ship is a new design at a new yard. The Finnish yard, Aker Finnyards, will build a 2,400 passenger ship for delivery at the end of June 2007. Work continues on the detail of the specification and the financing package.

ABOUT STAR CRUISES GROUP

Star Cruises, the third largest cruise line in the world is a global cruise brand with a combined fleet of 21 ships in service and under construction with over 31,000 lower berths, cruising 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, NCL America, Orient Lines and Cruise Ferries brands.

Star Cruises is represented in more than 20 locations worldwide with offices in Australia, China, Germany, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Norway, Philippines, Singapore, Sweden, Switzerland, Taiwan, Thailand, United Arab Emirates, United Kingdom and the United States of America.

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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 PROFIT AND LOSS ACCOUNTS
FOR THE THREE MONTHS AND THE YEAR ENDED 31 DECEMBER 2004
PREPARED IN ACCORDANCE WITH HK GAAP

	Three months ended 31 December		Year ended 31 December	
	2004 US\$'000 unaudited	2003 US\$'000 unaudited	2004 US\$'000 audited	2003 US\$'000 audited
Turnover	390,073	400,032	1,636,405	1,618,208
Operating expenses (excluding depreciation, amortisation and impairment loss)	(262,577)	(299,198)	(1,064,574)	(1,098,431)
Selling, general and administrative expenses (excluding depreciation)	(64,048)	(60,430)	(254,956)	(243,379)
Depreciation and amortisation	(43,847)	(50,072)	(181,909)	(197,349)
Impairment loss	(14,500)	(99,545)	(14,500)	(99,545)
	(384,972)	(509,245)	(1,515,939)	(1,638,704)
Operating profit / (loss)	5,101	(109,213)	120,466	(20,496)
Interest income	975	559	2,985	2,613
Financial costs	(29,846)	(23,472)	(107,566)	(93,804)
Other non-operating expenses, net	(13,176)	(6,449)	(23,920)	(11,123)
	(42,047)	(29,362)	(128,501)	(102,314)
Loss before taxation	(36,946)	(138,575)	(8,035)	(122,810)
Taxation	(301)	(402)	(971)	(1,663)
Net loss for the period / year	(37,247)	(138,977)	(9,006)	(124,473)
Loss per share in US cents:				
- Basic	(0.70)	(2.76)	(0.17)	(2.51)
- Diluted	N/A (note)	N/A (note)	N/A (note)	N/A (note)
Weighted average outstanding ordinary shares in thousands	5,293,202	5,031,071	5,293,187	4,967,186
Weighted average outstanding ordinary shares after assuming dilution in thousands	5,294,047	5,389,545	5,293,711	5,055,725
<u>Unaudited operating data</u>				
Passenger Cruise Days	2,156,501	2,091,504	8,474,368	8,450,404
Capacity Days	2,069,664	2,152,284	8,163,437	8,796,135
Occupancy as a percentage of total capacity days	104%	97%	104%	96%

Note : Diluted loss per share for the three months and the years ended 31 December 2004 and 2003 are not shown, as the diluted loss per share is less than the basic loss per share.