



STAR CRUISES GROUP ANNOUNCES FIRST QUARTER RESULTS FOR 2006

Key points for the quarter in comparison with 1Q 2005: -

- Capacity increased by 18.9% from 2.0 million to 2.4 million capacity days
- Net revenue increased by 17.3%
- Net revenue yield decreased by 1.4%
- EBITDA decreased by 20.2% from US\$75.5 million to US\$60.3 million
- Operating profit decreased by 49.6% from US\$30.0 million to US\$15.1 million
- Net loss was US\$35.1 million, down from a net profit of US\$4.4 million
- Ship operating expenses per capacity day were up by 9.5%, of which fuel costs accounted for 6.7 percentage points of this increase
- Selling, general and administrative expenses ("SG&A") per capacity day decreased by 11.0%

Star Cruises Group

For 1Q 2006, the Group recorded a net loss of US\$35.1 million compared with a net profit of US\$4.4 million in 1Q 2005. In 1Q 2006, the Group recorded a Euro denominated debt translation loss of US\$4.7 million compared to a debt translation gain of US\$4.7 million in 1Q 2005.

Net revenue for 1Q 2006 increased 17.3% compared with 1Q 2005 primarily due to an 18.9% capacity increase; however, the net revenue yield was down by 1.4%. The capacity increase in 1Q 2006 was mainly due to the addition of *m.v. Pride of America* and *m.v. Norwegian Jewel*, which entered service in June 2005 and August 2005, respectively. Occupancy level decreased to 99.3% in 1Q 2006 from 102.2% in 1Q 2005.

In 1Q 2006, fuel costs accounted for 6.7 percentage points of the increase in ship operating expenses per capacity day. Average fuel prices in 1Q 2006 increased approximately 52% from 1Q 2005. Fuel costs accounted for approximately 19% of ship operating expenses in 1Q 2006 compared with 15% in 1Q 2005.

Non-fuel ship operating expenses accounted for the remaining 2.8 percentage points increase in 1Q 2006 due to higher payroll and related expenses, and start-up costs associated with the introduction of *m.v. Pride of Hawaii*. The higher payroll and related expenses were mainly relating to the U.S. crew used for Hawaii itineraries which began operations in June 2004 and expanded to three ships with the delivery of *m.v. Pride of Hawaii* in April 2006.

SG&A expenses per capacity day for 1Q 2006 decreased 11.0% compared with 1Q 2005 mainly due to economies of scale achieved with the capacity increase.

EBITDA per capacity day in 1Q 2006 was 32.9% lower compared with 1Q 2005. Depreciation and amortisation expenses per capacity day in 1Q 2006 increased by 6.8% compared with 1Q 2005 primarily due to depreciation expenses of *m.v. Pride of America* and *m.v. Norwegian Jewel* as well as higher drydocking expenses.

Interest expense, net of interest income and capitalised interest, increased 47.1% in 1Q 2006 compared with 1Q 2005 driven by both higher average outstanding debts and interest rates.

Non-operating expenses, which mainly consist of translation loss and gain of Euro denominated debt for 1Q 2006 was US\$6.1 million compared with US\$5.1 million of non-operating income in 1Q 2005.

Star Cruises (excluding NCL Group)

Net revenue for 1Q 2006 was 13.9% higher driven mainly by a 34.9% capacity increase which was partially offset by a 13.3% lower net revenue yield. Occupancy level for 1Q 2006 was down to 75.7% from 92.4% in 1Q 2005. The capacity increase came from the addition of *m.v. SuperStar Libra*, which commenced operation in India in mid September 2005. In inaugural season, her average net revenue yield and occupancy was lower than the average net revenue yield and occupancy of the rest of the fleet.

In 1Q 2006, ship operating expenses per capacity day reduced by 4.8% compared with 1Q 2005. Cost saving initiatives and other operational efficiency, accounted for 11.4 percentage points of the decrease in ship operating expenses per capacity day; however, this reduction was partially offset by higher fuel costs. Average fuel prices increased about 55% in 1Q 2006 compared with 1Q 2005. SG&A expenses per capacity day decreased 23.0% compared with 1Q 2005 as a result of increased capacity mentioned above.

NCL Group

Net revenue for 1Q 2006 was 17.4% higher driven primarily by a 15.3% capacity increase and a 1.8% increase in net revenue yield. The increase in capacity came from the addition of *m.v. Pride of America* and *m.v. Norwegian Jewel*, which entered service in June and August 2005, respectively. This capacity increase was partially offset by the return of *m.v. Norwegian Sea* (renamed to *m.v. SuperStar Libra*) to Star Cruises upon expiration of the charter agreement in August 2005. The increase in net revenue yield was primarily the result of an increase in onboard spending and higher passenger ticket revenues. Occupancy level in 1Q 2006 increased to 105.6% from 104.4% in 1Q 2005.

Ship operating expenses per capacity day increased 11.5% in 1Q 2006 compared with 1Q 2005. The increase in these costs was primarily due to higher payroll and related expenses and increased fuel costs partially offset by other operating efficiencies and lower charter expenses after the return of *m.v. Norwegian Sea* to Star Cruises. The growth in payroll and related expenses was primarily attributable to increased payroll costs associated with U.S. crew used in the inter-island cruises in Hawaii, which began operations in June 2004 and expanded to three ships with the delivery of *m.v. Pride of Hawaii* in April 2006. The increase in fuel costs was driven by a 52% increase in fuel prices. During the quarter, average fuel prices increased to US\$337 per metric ton from US\$222 per metric ton in 1Q 2005.

SG&A expenses per capacity day decreased 8.0% in 1Q 2006 compared to 1Q 2005. This decrease was primarily attributable to a change in the timing of advertising expenses partially offset by increases in other SG&A expenses.

Non-operating income for 1Q 2006 decreased by US\$8.0 million compared to 1Q 2005. The decrease was primarily due to a US\$5.1 million foreign exchange translation loss during 1Q 2006 compared to a foreign exchange translation gain of US\$4.3 million for 1Q 2005.

Terminology

- *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.*
- *EBITDA represents earnings before interest, taxation, depreciation and amortisation.*
- *Capacity Days represent double occupancy per cabin multiplied by the number of cruise days for the period.*
- *Passenger Cruise Days represent the number of passengers carried for the period, multiplied by the number of days in their respective cruises.*
- *Occupancy Percentage, in accordance with cruise industry practice, represents the ratio of Passenger Cruise Days to Capacity Days. A percentage in excess of 100 indicates that three or more passengers occupied some cabins.*

ABOUT STAR CRUISES GROUP

Star Cruises, the third largest cruise line in the world is a global cruise brand with a combined fleet of 22 ships in service and due to be delivered, with about 35,000 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, Philippines, Singapore, Sweden, 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 INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2006
PREPARED IN ACCORDANCE WITH HK GAAP

	Three months ended 31 March	
	2006 US\$'000	2005 US\$'000
	unaudited	unaudited
Turnover	509,624	415,504
Operating expenses (excluding depreciation and amortisation)	(372,769)	(278,562)
Selling, general and administrative expenses (excluding depreciation)	(70,486)	(66,565)
Depreciation and amortisation	(51,254)	(40,374)
	<u>(494,509)</u>	<u>(385,501)</u>
Operating profit	15,115	30,003
Interest income	1,755	1,430
Financial costs	(46,363)	(31,761)
Share of loss of an associate	(654)	(151)
Other non-operating income / (expenses), net	(5,448)	5,269
	<u>(50,710)</u>	<u>(25,213)</u>
Profit / (Loss) before taxation	(35,595)	4,790
Taxation	542	(387)
Profit / (Loss) for the period	<u>(35,053)</u>	<u>4,403</u>
Earnings / (Loss) per share in US cents:		
- Basic	(0.66)	0.08
- Diluted	N/A (note 1)	0.08
Weighted average outstanding ordinary shares in thousands	5,300,181	5,293,234
Weighted average outstanding ordinary shares after assuming dilution in thousands	5,301,929	5,296,667
<u>Operating data</u>		
Passenger Cruise Days	2,383,836	2,062,090
Capacity Days	2,399,781	2,018,194
Occupancy as a percentage of total capacity days	99%	102%

Notes:

- 1) Diluted loss per share for the three months ended 31 March 2006 is not shown as the diluted loss per share is less than the basic loss per share.
- 2) Certain comparative figures have been reclassified to conform to the current period's presentation.