Star Cruises Limited

(Continued into Bermuda with limited liability)

(Stock Code: 678)

ANNOUNCEMENT
RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2006

The Directors of Star Cruises Limited ("Company") announce the unaudited consolidated results of the Company and its subsidiary companies ("Group") for the three months ended 31 March 2006, together with the comparative figures for the previous period as follows:

	Note	Three months ended 31 March	
		2006 US$'000 unaudited	2005 US$'000 unaudited
Turnover	2	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)
		(494,509)	(385,501)
Operating profit	2	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
		(50,710)	(25,213)
Profit / (Loss) before taxation		(35,595)	4,790
Taxation	3	542	(387)
Profit / (Loss) for the period		(35,053)	4,403
Basic earnings / (loss) per share (US cents)	4	(0.66)	0.08
Diluted earnings per share (US cents)	4	N/A*	0.08
Operating data			
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%

* 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.

CONSOLIDATED BALANCE SHEET

	As at	
	31 March 2006 US$'000	31 December 2005 US$'000
	unaudited	audited
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	605,994	605,994
Deferred tax assets	359	359
Property, plant and equipment	4,358,835	4,341,443
Lease prepayments	1,794	1,739
Available-for-sale investment	10,285	10,285
Restricted cash	150	150
Other assets	75,479	101,543
	5,052,896	5,061,513
CURRENT ASSETS		
Consumable inventories	52,859	38,332
Trade receivables	17,638	22,810
Prepaid expenses and others	45,615	47,959
Derivative financial instruments	2,555	4,533
Restricted cash	58,486	48,034
Cash and cash equivalents	163,120	187,698
	340,273	349,366
TOTAL ASSETS	5,393,169	5,410,879

CONSOLIDATED BALANCE SHEET (CONTINUED)

	As at	
	31 March 2006 US$'000	31 December 2005 US$'000
	unaudited	audited
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	530,018	530,018
Reserves:		
Share premium	1,269,089	1,269,089
Additional paid-in capital	93,893	93,893
Convertible bonds - equity component	14,400	14,400
Foreign currency translation adjustments	(22,516)	(24,052)
Unamortised share option expense	(874)	(1,087)
Cash flow hedge reserve	10,144	5,368
Retained earnings / (Accumulated losses)	(22,801)	12,252
	1,871,353	1,899,881
LIABILITIES		
NON-CURRENT LIABILITIES		
Long-term borrowings	2,680,781	2,671,129
Derivative financial instruments	2,656	7,240
Other long-term liabilities	2,474	2,631
Deferred tax liabilities	587	574
	2,686,498	2,681,574
CURRENT LIABILITIES		
Trade creditors	66,790	90,815
Current income tax liabilities	733	1,647
Provisions, accruals and other liabilities	187,271	189,998
Current portion of long-term borrowings	230,630	256,442
Derivative financial instruments	461	354
Amounts due to related companies	34	118
Advance ticket sales	349,399	290,050
	835,318	829,424
TOTAL LIABILITIES	3,521,816	3,510,998
TOTAL EQUITY AND LIABILITIES	5,393,169	5,410,879

NOTES TO THE ACCOUNTS

1. Principal Accounting Policies and Basis of Presentation

The unaudited results of the Group have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The unaudited results are prepared under the historical cost convention, as modified by the revaluations of available-for-sale financial assets and certain financial assets and financial liabilities (including derivative instruments) which are carried at fair value.

The Group’s operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire financial year. These unaudited results should be read where relevant, in conjunction with the annual report of the Group for the year ended 31 December 2005.

Where necessary, certain comparative figures have been reclassified to conform to the current period’s presentation.

2. Turnover and Operating Profit

The Group is principally engaged in the operation of passenger cruise ships. Cruise and cruise related revenues comprise sales of passenger tickets, including, in some cases, air transportation to and from the cruise ship, and revenues from onboard services and other related services, including gaming, food and beverage. During the three months ended 31 March 2006 and 2005, approximately US$329.3 million and US$266.4 million of cruise and cruise related revenues consist of passenger ticket revenue. The remaining portion relates to revenues from onboard and other services.

The Group’s turnover and operating profit in its principal markets of North America and Asia Pacific are analysed as follows:

	TURNOVER		OPERATING PROFIT	
	Three months ended 31 March		Three months ended 31 March	
	2006 US$’000 unaudited	2005 US$’000 unaudited	2006 US$’000 unaudited	2005 US$’000 unaudited
Asia Pacific	94,679	74,249	12,897	13,275
North America[1]	373,135	310,521	1,851	15,086
Others	41,810	30,734	367	1,642
	509,624	415,504	15,115	30,003

Note:

1. Substantially, all the turnover and operating profit arises in the United States of America.

3. Taxation

	Three months ended 31 March	
	2006	2005
	US$'000	US$'000
	unaudited	unaudited
Overseas taxation		
- Current taxation	552	(248)
Under provision in respect of prior years		
- Current taxation	(10)	(5)
- Deferred taxation	-	(134)
	542	(387)

The Company, which is domiciled in Bermuda, and the majority of its subsidiaries, are not subject to income tax as their income is mainly derived in international waters or outside taxing jurisdictions. However, the Group has incurred a tax charge, as illustrated in the table above, based on the income which is subject to local tax in certain of the jurisdictions where it operates. The appropriate local tax rate has been applied, in such circumstances, to determine the applicable tax charge.

4. Earnings / (Loss) per share

Earnings / (Loss) per share has been calculated as follows:

	Three months ended 31 March	
	2006	2005
	US$'000	US$'000
	unaudited	unaudited
<u>BASIC</u>		
Profit / (Loss) for the period	(35,053)	4,403
Weighted average outstanding ordinary shares in thousands	5,300,181	5,293,234
Basic earnings / (loss) per share in US cents	(0.66)	0.08
<u>DILUTED</u>		
Profit / (Loss) for the period	(35,053)	4,403
Weighted average outstanding ordinary shares in thousands	5,300,181	5,293,234
Effect of dilutive ordinary shares in thousands	1,748	3,433
Weighted average outstanding ordinary shares after assuming dilution in thousands	5,301,929	5,296,667
Diluted earnings per share in US cents	N/A*	0.08

* 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.

INTERIM DIVIDEND

The Directors do not recommend the declaration of any interim dividend in respect of the three months ended 31 March 2006.

BUSINESS REVIEW

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.

BUSINESS REVIEW (CONTINUED)

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.

Prospects

The outlook for the remainder of the year remains challenging. The Group is on track with its plan to further develop the cruise market outside of Singapore and Hong Kong in India and Eastern Mediterranean. m.v. SuperStar Libra is about to complete her first foray into Indian domestic market and she will leave for Eastern Mediterranean on the 21 May 2006 and will be there from 6 June 2006 to 7 October 2006.

For NCL Group, bookings levels, adjusted for the 17% increase in capacity, are slightly lower than at the same time last year; however, pricing continues to be ahead. The demand environment is not as robust as last year, suggesting that consumers generally may be feeling some impact of higher fuel prices and increased interest rates. However, with the addition of the 17% capacity, NCL Group has a better year over year mix of higher yielding itineraries such as Hawaii and Europe. Therefore, NCL Group expects net revenue yield to increase approximately 5% for the full year of 2006.

Other than as disclosed above, the Directors are not aware of any other material changes to the information in relation to the Group’s performance and the material factors underlying its result and financial position published in the annual report for the year ended 31 December 2005.

BUSINESS REVIEW (CONTINUED)

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.*

SIGNIFICANT SUBSEQUENT EVENTS

(i) In April 2006, the Group converted the US$334.1 million secured Norwegian Jewel loan from a floating London Interbank Offer Rate-based rate to a fixed rate of 6.1075%.

(ii) In April 2006, the Group took delivery of m.v. Pride of Hawaii. The balance due to the shipbuilding yard was paid on delivery from a drawndown of €130.0 million under the €308.1 million secured Pride of Hawaii loan. After a series of inaugural events, the m.v. Pride of Hawaii begins sailings from Honolulu in June 2006.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the three months ended 31 March 2006, save for the issue of 4,880 new ordinary shares of US$0.10 each at an aggregate price of US$1,311 pursuant to the exercise of options granted under the Pre-listing Employee Share Option Scheme.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules during the three months ended 31 March 2006, save for the deviations from certain code provisions listed below and the code provisions on internal controls on which the Company is required to first report compliance in its interim report for the six months ending 30 June 2006:

(1) Code Provision A.2.1

Under this code provision, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Currently, Tan Sri Lim Kok Thay is the Chairman, President and Chief Executive Officer of the Company. Considered reasons for such deviation were set out in the Corporate Governance Report (the "CG Report") of the Company's annual report for the year ended 31 December 2005 (the "2005 Annual Report") issued in February 2006.

CORPORATE GOVERNANCE (CONTINUED)

(2) Code Provision A.4.1

Under this code provision, Non-executive Directors should be appointed for a specific term, subject to re-election.

As mentioned in the CG Report contained in the Company's 2005 Annual Report, during the year ended 31 December 2005, the Independent Non-executive Directors ("INEDs") of the Company were not appointed for a specific term, but were subject to rotation for retirement and re-election at annual general meeting ("AGM") of the Company in accordance with the Company's Bye-laws.

In order to ensure compliance with this code provision, in February 2006, a letter agreement has been entered into between the Company and each of the INEDs whereby his term of office is generally fixed for a term of not more than approximately two years expiring at the conclusion of the AGM of the Company held in the second year following the year of his last re-election by shareholders, subject to the requirements for retirement by rotation at the AGM in accordance with the Company's Bye-laws.

(3) Code Provision A.4.2

Under this code provision, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To conform with this code provision, appropriate amendments to the Company's Bye-laws were proposed and approved by shareholders at the 2006 AGM of the Company so that every Director (including Directors holding office as Chairman or Managing Director and those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and Directors appointed by the Board to fill casual vacancy shall be subject to re-election by shareholders at the first general meeting after their appointment rather than the next following AGM after their appointment.

In addition, Tan Sri Lim Kok Thay had retired in compliance with this code provision and was re-elected by shareholders at the 2006 AGM of the Company.

REVIEW BY AUDIT COMMITTEE

These interim results have been reviewed by the Audit Committee established in compliance with Rule 3.21 of the Listing Rules and the relevant provisions of the CG Code. The Audit Committee comprises the three Independent Non-executive Directors of the Company, namely, Mr. Alan Howard Smith, J.P., Mr. Tan Boon Seng and Mr. Lim Lay Leng.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises four Executive Directors, namely Tan Sri Lim Kok Thay, Mr. Chong Chee Tut, Mr. William Ng Ko Seng and Mr. David Colin Sinclair Veitch and three Independent Non-executive Directors, namely Mr. Alan Howard Smith J.P., Mr. Tan Boon Seng and Mr. Lim Lay Leng.

On behalf of the Board

TAN SRI LIM KOK THAY
Chairman, President and Chief Executive Officer
Hong Kong, 16 May 2006

Forward-looking statements

This announcement 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 the Company about the industry and markets in which the Group operates. 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 expressed 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 announcement only. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the release of this announcement.