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**HK GAAP RESULTS RELEASE  
FOR IMMEDIATE RELEASE**

**15 August 2006  
INTERNATIONAL**

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**STAR CRUISES GROUP ANNOUNCES SECOND QUARTER AND FIRST HALF RESULTS  
FOR 2006**

Key points for the quarter in comparison with 2Q 2005: -

- Capacity increased by 21.2% from 2.1 million to 2.5 million capacity days
- Net revenue increased by 24.3%
- Net revenue yield increased by 2.6%
- Operating profit increased by 68.4% from US\$23.4 million to US\$39.5 million
- Non-cash foreign currency debts translation loss was US\$20.2 million, versus a non-cash foreign currency debts translation gain of US\$16.2 million
- Net loss was US\$33.9 million, versus a net profit of US\$6.2 million
- Ship operating expenses per capacity day were up by 6.4%, of which fuel costs accounted for 5.0 percentage points of this increase
- Selling, general and administrative expenses ("SG&A") per capacity day decreased by 20.2%

Key points for the first half in comparison with 1H 2005: -

- Capacity increased by 20.0% from 4.1 million to 4.9 million capacity days
- Net revenue increased by 20.9%
- Net revenue yield increased by 0.7%
- Operating profit increased by 2.1% from US\$53.4 million to US\$54.6 million
- Non-cash foreign currency debts translation loss was US\$24.9 million, versus a non-cash foreign currency debts translation gain of US\$20.9 million
- Net loss was US\$69.0 million, versus a net profit of US\$10.6 million
- Ship operating expenses per capacity day were up by 7.8%, of which fuel costs accounted for 5.8 percentage points of this increase
- SG&A per capacity day decreased by 15.8%

## **Star Cruises Group**

For 2Q 2006, the Group recorded a net loss of US\$3.4 million before non-cash foreign currency debts translation and impairment losses, compared with a net loss of US\$7.3 million before non-cash foreign currency debts translation gain and impairment loss in 2Q 2005. In 2Q 2006, the Group wrote down its non-cruise investment in low cost carrier of US\$10.3 million and recorded a non-cash debts translation loss of US\$20.2 million. In 2Q 2005, there was a non-cash debts translation gain of US\$16.2 million and an impairment loss of US\$2.7 million. After taking into account the abovementioned items, the Group's 2Q 2006 net loss was US\$33.9 million compared with a net profit of US\$6.2 million in 2Q 2005.

Net revenue for 2Q 2006 increased 24.3% from 2Q 2005 primarily due to a 21.2% capacity increase and a 2.6% increase in net revenue yield. The higher net revenue yield was attributable mainly to a strong cruise ticket pricing and higher onboard spending in the NCL Group. The capacity increase in 2Q 2006 was mainly due to the addition of *m.v. Pride of America*, *m.v. Norwegian Jewel* and *m.v. Pride of Hawaii*, which entered service in June 2005, August 2005 and June 2006, respectively. Occupancy level decreased to 103.4% in 2Q 2006 from 105.5% in 2Q 2005.

The 2Q 2006 non-fuel ship operating expenses per capacity day increased 1.6% compared to 2Q 2005. Average fuel prices in 2Q 2006 increased approximately 33% from 2Q 2005. Fuel costs accounted for approximately 19.4% of ship operating expenses in 2Q 2006 compared with 15.6% in 2Q 2005.

SG&A expenses per capacity day for 2Q 2006 decreased 20.2% compared with 2Q 2005 mainly due to economies of scale achieved with the capacity increase.

Depreciation and amortisation expenses per capacity day in 2Q 2006 increased by 8.8% compared with 2Q 2005 primarily due to depreciation expenses of *m.v. Pride of America*, *m.v. Norwegian Jewel* and *m.v. Pride of Hawaii* as well as higher drydocking expenses.

Interest expense, net of interest income and capitalised interest, increased 25.1% in 2Q 2006 compared with 2Q 2005 as a result of higher average outstanding debts and interest rates.

Non-operating expenses, which mainly consists of non-cash foreign currency debts translation loss and gain and non-cruise investment write-down was US\$33.2 million for 2Q 2006 compared with US\$15.1 million of non-operating income in 2Q 2005.

For 1H 2006, the Group recorded a net loss of US\$33.8 million before non-cash foreign currency debts translation and impairment losses, compared with a net loss of US\$7.6 million before non-cash foreign currency debts translation gain and impairment loss in 1H 2005. In 1H 2006, the non-cash debts translation loss was US\$24.9 million compared to a non-cash debts translation gain of US\$20.9 million in 1H 2005. A non-cruise investment write-down of US\$10.3 million and an impairment loss of US\$2.7 million were recorded in 1H 2006 and 1H 2005, respectively. After taking into account the abovementioned items, the Group's 1H 2006 net loss was US\$69.0 million compared with a net profit of US\$10.6 million in 1H 2005.

Net revenue for 1H 2006 increased 20.9% compared with 1H 2005 driven by a 20.0% capacity increase and to a lesser extent, a 0.7% increase in net revenue yield. Capacity increase in 1H 2006 was mainly a result of the addition of *m.v. Pride of America*, *m.v. Norwegian Jewel* and *m.v. Pride of Hawaii*. Occupancy level was at 101.4% in 1H 2006 versus 103.8% in 1H 2005. Higher cruise ticket prices and onboard revenue in the NCL Group were the factors of the increase in net revenue yield.

On a per capacity day basis, the non-fuel ship operating expenses were 2.4% higher for 1H 2006 compared with 1H 2005. Average fuel prices in 1H 2006 increased approximately 42% from 1H 2005. Fuel costs accounted for approximately 19.4% of ship operating expenses in 1H 2006 compared with 15.1% in 1H 2005.

SG&A expenses per capacity day for 1H 2006 decreased 15.8% compared with 1H 2005 mainly due to economies of scale achieved with the capacity increase.

Depreciation and amortisation expenses per capacity day in 1H 2006 increased by 7.8% compared with 1H 2005 primarily due to depreciation expenses of *m.v. Pride of America*, *m.v. Norwegian Jewel* and *m.v. Pride of Hawaii* as well as higher drydocking expenses.

Interest expense, net of interest income and capitalised interest, increased 35.8% in 1H 2006 compared with 1H 2005 as a result of higher average outstanding debts and interest rates.

Non-operating expenses, which mainly consists of non-cash foreign currency debts translation loss and gain and non-cruise investment write-down was US\$39.3 million for 1H 2006 compared with US\$20.2 million of non-operating income in 1H 2005.

### **Star Cruises (excluding NCL Group)**

Net revenue for 2Q 2006 was 2.4% higher on a 28.5% capacity increase which was partially offset by a 19.2% lower net revenue yield. Occupancy level for 2Q 2006 was down to 87.6% from 100.0% in 2Q 2005. The lower net revenue yield and occupancy were primarily due to the lower occupancy for the *m.v. SuperStar Libra* in the first inaugural seasons in India and Eastern Mediterranean.

In 2Q 2006, ship operating expenses per capacity day decreased 4.5% compared with 2Q 2005. Cost saving initiatives accounted for 10.9 percentage points of the decrease in ship operating expenses per capacity day; however, this reduction was partially offset by higher fuel costs. The increased fuel costs accounted for 6.4 percentage points of the ship operating expenses per capacity day. Average fuel prices increased approximately 34% in 2Q 2006 compared with 2Q 2005. SG&A expenses per capacity day decreased 20.6% compared with 2Q 2005 as a result of the abovementioned increased capacity.

For 1H 2006, net revenue was 7.6% higher on a 31.7% capacity increase. Occupancy level in 1H 2006 was down to 81.6% from 96.2% in 1H 2005 and net revenue yield was lower by 16.7%. Capacity was higher in 1H 2006 mainly due to the transfer of *m.v. SuperStar Libra* from the NCL Group.

Ship operating expenses per capacity day decreased 4.7% compared with 1H 2005 mainly due to the continued cost saving initiatives, which accounted for 11.1 percentage points of the decrease in ship operating expenses per capacity day partially offset by higher fuel costs. The increased fuel costs accounted for 6.4 percentage points of the ship operating expenses per capacity day. Average fuel prices increased approximately 43% in 1H 2006 compared with 1H 2005. SG&A expenses per capacity day decreased 21.9% compared with 1H 2005 for the reasons mentioned above.

The *m.v. SuperStar Libra* will return to India after her season in Eastern Mediterranean. With the experience of her first season in India, we have made certain changes to her itineraries to better cater for the market. We expect improved occupancies and the revenue per diems in her second season.

## **NCL Group**

During 2Q 2006, NCL Group, whose reporting under US GAAP, changed its method of accounting for dry-docking costs from the deferral method under which it amortised its deferred dry-docking costs over the estimated period of benefit between drydocks, to the direct expense method, under which it is required to expense all dry-docking costs as incurred. These costs are classified as other operating expenses consistent with the method of expensing repairs and maintenance costs. Under HK GAAP, the dry-docking costs are included as a separate component of the ship costs to be amortised to the subsequent dry-docking generally every 2 to 3 years in the depreciation and amortisation.

The below commentary is prepared based on NCL Group's US GAAP financial statements.

Net revenue for 2Q 2006 was 30.5% higher on a 19.5% capacity increase and 9.2% increase in net revenue yield. The increase in capacity days was primarily attributable to the addition of *m.v. Pride of America*, *m.v. Norwegian Jewel* and *m.v. Pride of Hawaii*, which entered service in June 2005, August 2005 and June 2006, respectively, partially offset by the return of *m.v. Norwegian Sea* (renamed to *m.v. SuperStar Libra*) to Star Cruises upon expiration of its charter agreement in August 2005. The increase in net revenue yield was primarily attributable to increased passenger ticket revenues and increased onboard spending. Occupancy level for 2Q 2006 was up to 107.3% from 106.8% in 2Q 2005.

In 2Q 2006, ship operating expenses per capacity day increased 6.8% compared with 2Q 2005. Fuel costs and payroll and related expenses accounted for 4.3 and 3.3 percentage points of the increase in ship operating expenses per capacity day, respectively. This increase was partially offset by other operating efficiencies. Average fuel prices increased approximately 33% in 2Q 2006 compared with 2Q 2005. SG&A expenses per capacity day decreased 16.1% compared with 2Q 2005 as a result of the abovementioned increased capacity.

For 1H 2006, net revenue was 24.1% higher on a 17.4% capacity increase and 5.7% increase in net revenue yield. Occupancy level in 1H 2006 was up to 106.5% from 105.6% in 1H 2005. Capacity was higher in 1H 2006 mainly due to the addition of *m.v. Pride of America*, *m.v. Norwegian Jewel* and *m.v. Pride of Hawaii*, partially offset by the return of *m.v. Norwegian Sea* (renamed to *m.v. SuperStar Libra*) to Star Cruises. The increase in net revenue yield was primarily attributable to increased passenger ticket revenues and increased onboard spending.

Ship operating expenses per capacity day increased 9.9% compared with 1H 2005 mainly due to payroll and related expenses and fuel costs, which accounted for 5.4 and 5.2 percentage points of the increase in ship operating expenses per capacity day, respectively. This increase was partially offset by other operating efficiencies. Average fuel prices increased approximately 41% in 1H 2006 compared with 1H 2005. SG&A expenses per capacity day decreased 12.5% compared with 1H 2005 as a result of the reasons mentioned above.

The softer pricing in the Caribbean coupled with higher fuel prices, increased interest costs, and continued higher operating costs in Hawaii will continue to put pressure on our results in second half of 2006.

#### 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.*
- *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 including 2 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 results 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 STATEMENTS**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2006**  
**PREPARED IN ACCORDANCE WITH HK GAAP**

	Three months ended 30 June		Six months ended 30 June	
	2006 US\$'000	2005 US\$'000	2006 US\$'000	2005 US\$'000
	unaudited	unaudited	unaudited	unaudited
Turnover	590,053	452,342	1,099,677	867,846
Operating expenses (excluding depreciation, amortisation and impairment loss)	(428,853)	(314,884)	(801,622)	(593,446)
Selling, general and administrative expenses (excluding depreciation)	(68,666)	(71,058)	(139,152)	(137,623)
Depreciation and amortisation	(53,063)	(40,256)	(104,317)	(80,630)
Impairment loss	-	(2,700)	-	(2,700)
	(550,582)	(428,898)	(1,045,091)	(814,399)
Operating profit	39,471	23,444	54,586	53,447
Interest income	2,052	2,782	3,807	4,212
Financial costs	(41,797)	(34,553)	(88,160)	(66,314)
Share of losses of associates	(75)	(1,800)	(729)	(1,951)
Other non-operating income / (expenses), net	(33,141)	16,863	(38,589)	22,132
	(72,961)	(16,708)	(123,671)	(41,921)
Profit / (Loss) before taxation	(33,490)	6,736	(69,085)	11,526
Taxation	(456)	(536)	86	(923)
Profit / (Loss) for the period	(33,946)	6,200	(68,999)	10,603
Earnings / (Loss) per share in US cents:				
- Basic	(0.64)	0.12	(1.30)	0.20
- Diluted	(0.64)	0.12	N/A (Note 1)	0.20
Weighted average outstanding ordinary shares in thousands	5,300,299	5,296,190	5,300,240	5,294,720
Weighted average outstanding ordinary shares after assuming dilution in thousands	5,300,299	5,300,116	5,301,086	5,298,322
<u>Operating data</u>				
Passenger Cruise Days	2,562,651	2,157,961	4,946,487	4,220,051
Capacity Days	2,478,588	2,045,705	4,878,369	4,063,899
Occupancy as a percentage of total capacity days	103%	105%	101%	104%

Notes:

- 1) Diluted loss per share for the six months ended 30 June 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.