



**HK GAAP RESULTS RELEASE
FOR IMMEDIATE RELEASE**

**13 November 2006
INTERNATIONAL**

**STAR CRUISES GROUP ANNOUNCES THIRD QUARTER AND FIRST NINE MONTHS
RESULTS FOR 2006**

Key points for the quarter in comparison with 3Q 2005: -

- Capacity increased by 17.7% from 2.3 million to 2.7 million capacity days
- Net revenue increased by 13.1%; net revenue yield decreased by 3.9%
- Operating profit increased by 5.4% from US\$78.5 million to US\$82.7 million
- Non-cash foreign currency debts translation gain was US\$3.5 million versus US\$0.9 million
- Gain on disposal of a ship and a ship yard compensation income amounted to US\$16.7 million and US\$7.3 million respectively
- Net profit increased by 82.9% from US\$33.0 million to US\$60.4 million
- Ship operating expenses per capacity day were down by 0.4%. Ship operating expenses excluding fuel costs per capacity day were down by 2.6%
- Selling, general and administrative expenses ("SG&A") per capacity day decreased by 12.7%

Key points for the first nine months in comparison with the first nine months of 2005: -

- Capacity increased by 19.2% from 6.4 million to 7.6 million capacity days
- Net revenue increased by 17.9%; net revenue yield decreased by 1.1%
- Operating profit increased by 4.1% from US\$132.0 million to US\$137.3 million
- Non-cash foreign currency debts translation loss was US\$21.3 million, versus a non-cash foreign currency debts translation gain of US\$21.8 million
- Gain on disposal of a ship and a ship yard compensation income amounted to US\$16.7 million and US\$7.3 million respectively, partially offset by a write down of non-cruise investment in a low cost carrier of US\$10.3 million
- Net loss was US\$8.6 million, versus a net profit of US\$43.6 million
- Ship operating expenses per capacity day were up by 4.8%, of which fuel costs accounted for 4.3 percentage points of this increase
- SG&A per capacity day decreased by 14.7%

Star Cruises Group

For 3Q 2006, the Group recorded a net profit of US\$60.4 million compared with a net profit of US\$33.0 million in 3Q 2005. Included in the 3Q 2006 results were a gain on the disposal of *m.v. Norwegian Crown* of US\$16.7 million and a ship yard compensation income of US\$7.3 million respectively.

Net revenue for 3Q 2006 increased 13.1% from 3Q 2005 primarily due to a 17.7% capacity increase which was partially offset by the lower net revenue yield and occupancy level of 3.9% and 3.3 percentage points respectively. The capacity increase in 3Q 2006 was mainly due to the addition of *m.v. Norwegian Jewel* and *m.v. Pride of Hawaii*, which entered service in August 2005 and June 2006, respectively. The Asian net revenue yield was lower largely due to the inaugural Eastern Mediterranean season whilst the NCL Group net revenue yield remained relatively flat. The overall Group occupancy was at 103.3% in 3Q 2006 compared with 106.6% in 3Q 2005.

The 3Q 2006 ship operating expenses excluding fuel costs per capacity day decreased 2.6% compared to 3Q 2005 which largely came from Star Asia operations. Average fuel prices in 3Q 2006 increased approximately 18% from 3Q 2005. Fuel costs accounted for approximately 18% of ship operating expenses in 3Q 2006 compared with 16% in 3Q 2005.

With the increase in capacity, SG&A expenses per capacity day continued to decrease year-over-year. SG&A expenses per capacity day in 3Q 2006 were 12.7% lower compared with 3Q 2005 primarily as a result of a decrease in advertising and promotional expenses and the abovementioned increase in capacity.

Depreciation and amortisation expenses per capacity day in 3Q 2006 increased by 2.1% compared with 3Q 2005 primarily due to depreciation expenses of *m.v. Norwegian Jewel* and *m.v. Pride of Hawaii*.

Interest expense, net of interest income and capitalised interest, increased 24.6% in 3Q 2006 compared with 3Q 2005 as a result of higher average outstanding debts and interest rates.

For the first nine months of 2006, the Group recorded a net loss of US\$8.6 million compared with a net profit of US\$43.6 million in the first nine months of 2005. Included in the results of the first nine months of 2006, were a net other income of US\$13.7 million which consists of a gain on disposal of *m.v. Norwegian Crown* of US\$16.7 million, a ship yard compensation income of US\$7.3 million and a write down of non-cruise investment in a low cost carrier of US\$10.3 million. An impairment loss of US\$2.7 million was recorded in the first nine months of 2005.

In addition, in the first nine months of 2006, non-cash foreign currency debts translation loss was US\$21.3 million compared to a non-cash foreign currency debts translation gain of US\$21.8 million in the first nine months of 2005.

Excluding the non-cash items; 1) foreign currency debts translation gains and losses, 2) write down of non-cruise investment and 3) the impairment loss, the Group would have recorded a net profit of US\$23.0 million in the first nine months of 2006 compared with net profit of US\$24.5 million in the first nine months of 2005 despite higher fuel prices and interest costs.

Net revenue for the first nine months of 2006 increased 17.9% compared with the first nine months of 2005 primarily due to a 19.2% capacity increase which was partially offset by the lower net revenue yield and occupancy level of 1.1% and 2.8 percentage points respectively. The capacity increase in the first nine months of 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 was at 102.1% in the first nine months of 2006 versus 104.9% in the first nine months of 2005. The lower net revenue yield was mainly a result of the lower than average occupancy of the *m.v. SuperStar Libra* in both her first inaugural seasons in India and Eastern Mediterranean. Net revenue yield for NCL Group increased by 3.3% in the first nine months of 2006 compared with the same period of 2005.

On a per capacity day basis, the ship operating expenses excluding fuel costs were 0.6% higher in the first nine months of 2006 compared with the first nine months of 2005. Average fuel prices in the first nine months of 2006 increased approximately 32% from the first nine months of 2005. Fuel costs accounted for approximately 19% of ship operating expenses in the first nine months of 2006 compared with 16% in the first nine months of 2005.

SG&A expenses per capacity day for the first nine months of 2006 decreased by 14.7% compared with the first nine months of 2005 primarily as a result of a decrease in advertising and promotional expenses and the abovementioned increase in capacity.

Depreciation and amortisation expenses per capacity day in the first nine months of 2006 increased by 5.7% compared with the first nine months of 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 31.5% in the first nine months of 2006 compared with the first nine months of 2005 as a result of higher average outstanding debts and interest rates.

Last week, the Company announced a US\$200 million Rights Issue offering and accepted a US\$750 million fully underwritten offer from a syndicate of banks for a new secured term loan and revolving credit facility. The Company intends to use the net proceeds of these exercises for the acquisition or construction of vessels, to refinance certain of its existing loans and for working capital purposes.

Star Cruises (excluding NCL Group)

The 3Q 2006 capacity was 30.1% higher compared with 3Q 2005 because of the addition of *m.v. SuperStar Libra* which commenced operation in September 2005. Net revenue was 3.4% higher as a result of the higher capacity which was partially offset by a 19.9% lower net revenue yield. Overall occupancy level for 3Q 2006 was down to 83.7% from 96.5% in 3Q 2005. The lower than average occupancy of *m.v. SuperStar Libra* in her first inaugural season in Eastern Mediterranean contributed to the lower net revenue yield in 3Q 2006.

Ship operating expenses per capacity day in 3Q 2006 decreased 15.4% compared with 3Q 2005. This decrease was mainly due to the start up expenses of *m.v. SuperStar Libra* as well as the lay up expenses of *s/s Norway* in 3Q 2005, partially offset by the charter fee paid for *m.v. Norwegian Crown* and higher fuel costs in 3Q 2006. Average fuel prices increased approximately 10% in 3Q 2006 compared with 3Q 2005.

SG&A expenses per capacity day decreased 14.1% compared with 3Q 2005 as a result of the abovementioned increased capacity.

For the first nine months of 2006, capacity was 31.1% higher compared with the first nine months of 2005 because of the addition of *m.v. SuperStar Libra* which commenced operation in September 2005. Net revenue was 6.2% higher as a result of the higher capacity which was partially offset by a 17.8% lower net revenue yield. The lower net revenue yield in the first nine months of 2006 was mainly a result of the lower than average occupancy of *m.v. SuperStar Libra* in both her first inaugural seasons in India and Eastern Mediterranean. Occupancy level in the first nine months of 2006 was down to 82.3% from 96.3% in the first nine months of 2005.

Ship operating expenses per capacity day for the first nine months of 2006 decreased 8.6% compared with the first nine months of 2005. This decrease was mainly due to the on-going cost saving initiatives, the start up expenses of *m.v. SuperStar Libra* as well as the lay up expenses of *s/s Norway* in the first nine months of 2005. Partially offsetting these were the charter fee paid for *m.v. Norwegian Crown* and higher fuel costs in the first nine months of 2006. Average fuel prices increased approximately 33% in the first nine months of 2006 compared with the first nine months of 2005.

SG&A expenses per capacity day decreased 19.4% compared with the first nine months of 2005 as a result of the abovementioned increased capacity.

m.v. SuperStar Libra is now in India for her second season. The market response to her amended itineraries is encouraging; as a result, the bookings are considerably higher than at the same time last year.

NCL Group

During 2Q 2006, NCL Group, 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 dry-docks, 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 3Q 2006 was 15.1% higher driven by a 15.2% increase in capacity partially offset by 0.1% decrease in net revenue yield. The increase in capacity days was primarily attributable to the addition of *m.v. Norwegian Jewel* and *m.v. Pride of Hawaii*, which entered service in 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. Occupancy level for 3Q 2006 was 107.8% compared to 108.7% in 3Q 2005.

In 3Q 2006, ship operating expenses per capacity day increased 2.1% compared with 3Q 2005. The increase is primarily attributable to increases in payroll and related expenses and fuel costs partially offset by other operating efficiencies. Increases in payroll and related expenses and fuel costs accounted for 2.7 and 2.2 percentage points of the increase in ship operating expenses per capacity day, respectively. Average fuel prices increased approximately 20% in 3Q 2006 compared with 3Q 2005.

SG&A expenses per capacity day decreased 10.9% compared with 3Q 2005 primarily as a result of a decrease in advertising and promotional expenses and the abovementioned increase in capacity.

For the first nine months of 2006, net revenue was 20.5% higher on a 16.6% capacity increase and 3.3% increase in net revenue yield. Capacity was higher in the first nine months of 2006 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, partially offset by the return of *m.v. Norwegian Sea* to Star Cruises. The increase in net revenue yield was primarily attributable to increased passenger ticket revenues and increased onboard spending. Occupancy levels increased to 107.0% from 106.7%.

Ship operating expenses per capacity day increased 7.0% compared with first nine months of 2005 mainly due to increases in payroll and related expenses and fuel costs, which accounted for 4.4 and 4.1 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 32% in the first nine months of 2006 compared with the same period of 2005.

SG&A expenses per capacity day decreased 11.9% compared with the first nine months of 2005 primarily as a result of a decrease in advertising and promotional expenses and the abovementioned increase in capacity.

Bookings continue to be closer to the sailing date than at the same time last year. Through the first quarter of 2007, NCL Group continues to see downward pressure on pricing, especially in Hawaii and the Caribbean. As a result, for the fourth quarter of 2006, NCL Group expects net yield to be down approximately 1% compared to the fourth quarter of 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.*
- *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 operator in the world is a global cruise brand with a combined fleet of 20 ships with about 30,000 lower berths in service with an additional 4 ships and some 13,000 lower berths due to be delivered, 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 and representatives 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 results to differ materially from those expressed or forecasted 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 NINE MONTHS ENDED 30 SEPTEMBER 2006
PREPARED IN ACCORDANCE WITH HK GAAP

	Three months ended 30 September		Nine months ended 30 September	
	2006 US\$'000	2005 US\$'000	2006 US\$'000	2005 US\$'000
	unaudited	unaudited	unaudited	unaudited
Turnover	683,328	575,272	1,783,005	1,443,118
Operating expenses (excluding depreciation, amortisation and impairment loss)	(473,510)	(380,821)	(1,275,132)	(974,267)
Selling, general and administrative expenses (excluding depreciation)	(72,437)	(70,462)	(211,589)	(208,085)
Depreciation and amortisation	(54,635)	(45,473)	(158,952)	(126,103)
Impairment loss	-	-	-	(2,700)
	<u>(600,582)</u>	<u>(496,756)</u>	<u>(1,645,673)</u>	<u>(1,311,155)</u>
Operating profit	82,746	78,516	137,332	131,963
Interest income	1,404	2,487	5,211	6,699
Financial costs	(50,168)	(41,630)	(138,328)	(107,944)
Share of losses of associates	(9)	(3,268)	(738)	(5,219)
Other non-operating income / (expenses), net	26,041	(1,509)	(12,548)	20,623
	<u>(22,732)</u>	<u>(43,920)</u>	<u>(146,403)</u>	<u>(85,841)</u>
Profit / (Loss) before taxation	60,014	34,596	(9,071)	46,122
Taxation	352	(1,586)	438	(2,509)
Profit / (Loss) for the period	<u>60,366</u>	<u>33,010</u>	<u>(8,633)</u>	<u>43,613</u>
Earnings / (Loss) per share in US cents:				
- Basic	1.14	0.62	(0.16)	0.82
- Diluted	1.11	0.62	N/A (Note 1)	0.82
Weighted average outstanding ordinary shares in thousands	5,300,302	5,297,496	5,300,261	5,295,656
Weighted average outstanding ordinary shares after assuming dilution in thousands	5,738,585	5,740,159	5,300,291	5,299,324
<u>Operating data</u>				
Passenger Cruise Days	2,824,611	2,477,527	7,771,098	6,697,578
Capacity Days	2,735,356	2,323,234	7,613,725	6,387,133
Occupancy as a percentage of total capacity days	103%	107%	102%	105%

Notes:

- 1) Diluted loss per share for the nine months ended 30 September 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.