



**HK GAAP RESULTS RELEASE
FOR IMMEDIATE RELEASE**

**25 February 2008
INTERNATIONAL**

**STAR CRUISES GROUP ANNOUNCES FOURTH QUARTER AND FULL YEAR RESULTS
FOR 2007**

Key points for the quarter in comparison with 4Q 2006: -

- Capacity increased by 8.5% from 2.8 million to 3.0 million capacity days
- Net revenue and net revenue yield increased by 17.7% and 8.4%, respectively
- Ship operating expenses per capacity day increased by 4.0%
- Selling, general and administrative expenses ("SG&A") per capacity day increased by 7.2%
- Operating loss before impairment loss decreased by 25.7% from US\$41.9 million to US\$31.1 million
- Net loss was US\$93.8 million before non-cash foreign currency debt translation loss compared to a net loss of US\$103.2 million before impairment loss and non-cash foreign currency debt translation loss

Key points for the year in comparison with year 2006: -

- Capacity increased by 10.7% from 10.4 million to 11.5 million capacity days
- Net revenue and net revenue yield increased by 12.1% and 1.3%, respectively
- Ship operating expenses per capacity day increased by 2.2%
- SG&A per capacity day increased by 4.4%
- Operating profit before impairment loss decreased by 11.3% from US\$95.5 million to US\$84.6 million
- Net loss was US\$157.4 million before impairment loss, non-cash foreign currency debt translation loss and other compared to a net loss of US\$104.2 million before impairment loss, non-cash foreign currency debt translation loss and others

Star Cruises Group

For 4Q 2007, the Group recorded a net loss of US\$93.8 million before non-cash foreign currency debt translation loss compared to a net loss of US\$103.2 million before an impairment loss and non-cash foreign currency debt translation loss in 4Q 2006.

In 4Q 2007, the Group recorded a non-cash Euro denominated debt translation loss of US\$29.8 million. In 4Q 2006, the Group recorded a non-cash Euro denominated debt translation loss of US\$13.8 million and an impairment loss of US\$30.6 million in respect of a ship and the Orient Lines trade name.

After taking into account the abovementioned items, the Group's 4Q 2007 net loss was US\$123.6 million compared to a net loss of US\$147.6 million in 4Q 2006.

Net revenue for 4Q 2007 increased 17.7% from 4Q 2006 primarily due to an 8.5% capacity increase and a 8.4% increase in net revenue yield. Driving the increase in net revenue yield was higher passenger ticket prices and an increase in onboard revenues of NCLC Group and increased occupancy levels. The capacity increase in 4Q 2007 was mainly due to the additions of *m.v. Norwegian Pearl* and *m.v. Norwegian Gem*, which entered service in November 2006 and October 2007, respectively, which was partially offset by the departure of *m.v. Norwegian Crown* in November 2007. The overall Group occupancy was 100.5% compared with 97.8% in 4Q 2006.

The 4Q 2007 ship operating expenses per capacity day increased 4.0% compared to 4Q 2006 primarily due to higher fuel costs partially offset by a decrease in payroll and related expenses related to NCLC Group's inter-island cruises in Hawaii. In 4Q 2007, average fuel prices, including the impact of fuel hedges, increased approximately 46.9% from 4Q 2006. The quarter-over-quarter increase in fuel costs was US\$24.5 million.

SG&A expenses per capacity day for 4Q 2007 increased 7.2% compared to 4Q 2006 primarily due to additional professional fees primarily in connection with technology initiatives for the NCLC Group.

For 2007, the Group recorded a net loss of US\$157.4 million before impairment loss, non-cash foreign currency debt translation loss and other compared to a net loss of US\$104.2 million before impairment loss, non-cash foreign currency debt translation loss and others in 2006.

In 2007, the Group recorded a net impairment loss of US\$5.2 million in respect of ships and Orient Lines trade name, a non-cash Euro denominated debt translation loss of US\$92.0 million and a gain on disposal of a 25% equity interest in Resorts World at Sentosa ("RWS") of US\$53.7 million. In 2006, the Group recorded an impairment loss of US\$30.6 million in respect

of a ship and the Orient Lines trade name, a non-cash Euro denominated debt translation loss of US\$35.1 million, and a net gain of US\$13.7 million which comprise of a shipyard compensation income, gain on disposal of a vessel and a write down of non-cruise investment in a low cost carrier.

Accordingly, taking into account the abovementioned items, the net loss for 2007 was US\$200.9 million compared to a net loss of US\$156.2 million in 2006.

Net revenue for 2007 increased 12.1% compared with 2006 primarily due to a 10.7% increase in capacity and a 1.3% increase in net revenue yield. The increase in net revenue yield was primarily due to the increase in passenger ticket prices of NCLC Group. The capacity increase in 2007 was mainly due to the additions of *m.v. Pride of Hawaii*, *m.v. Norwegian Pearl* and *m.v. Norwegian Gem*, which entered service in May 2006, November 2006 and October 2007, respectively, partially offset by the departure of *m.v. Norwegian Crown* in November 2007. The overall Group occupancy was at 102.9% in 2007 compared with 100.9% in 2006.

On a per capacity day basis, the ship operating expenses were 2.2% higher in 2007 compared with 2006 primarily due to higher fuel costs and higher other operating expenses (due primarily to the timing of maintenance and repairs expenses) as well as the ships' charter fees for *m.v. Norwegian Crown*, *m.v. Marco Polo* and *m.v. SuperStar Gemini*. The increase in ship operating expenses per capacity day was partially offset by the lower payroll and related costs of NCL America and receipt of certain insurance proceeds. Average fuel prices in 2007, net of fuel hedges, increased approximately 12.4% from 2006. The year-over-year increase in fuel costs was US\$37.0 million.

SG&A expenses per capacity day for 2007 increased 4.4% compared with 2006 primarily due to an increase in media marketing and advertising of NCLC Group and the shoreside expenses to support the expanded operations in China.

Star Cruises (excluding NCLC Group)

In 4Q 2007, net revenue was 21.2% higher on a 28.7% increase in capacity days, however, net revenue yield was 2.6% lower compared to 4Q 2006. The increase in capacity in 4Q 2007 was primarily because of the addition of *m.v. SuperStar Aquarius* which commenced operation in June 2007. Occupancy for 4Q 2007 was essentially unchanged, at 87% for both quarters.

Ship operating expenses per capacity day in 4Q 2007 increased 7.4% compared with 4Q 2006 mainly due to higher fuel costs and the ships' charter fees mentioned above. Average fuel prices increased approximately 50.0% in 4Q 2007 compared with 4Q 2006. SG&A expenses per capacity day however, decreased 5.0% compared with 4Q 2006.

For 2007, net revenue was 7.7% higher on a 12.0% increase in capacity days, however, net revenue yield was 1.8% lower compared to 2006. The increase in capacity in 2007 was primarily because of the addition of *m.v. SuperStar Aquarius*. Occupancy in 2007 was at 87.7% compared to 83.6% in 2006.

Ship operating expenses per capacity day for 2007 increased 9.1% compared with 2006. This increase was mainly due to ships' charter fees and higher fuel costs as well as the start-up costs for the introduction of *m.v. SuperStar Aquarius* in Hong Kong. Average fuel prices increased approximately 14.9% in 2007 compared with 2006. SG&A expenses per capacity day for 2007 increased 4.8% compared with 2006 mainly due to the shoreside expenses to support the expanded operations in China partially offset by lower advertising and promotional expenses in 2007.

NCLC Group

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

Net revenue was 15.4% higher mainly as a result of 4.0% higher capacity and 11.0% higher net revenue yield. The increase in net revenue yield was a result of improved ticket prices and onboard revenues. The increase in capacity in 4Q 2007 was primarily due to the introduction of *m.v. Norwegian Gem* offset by the departure of *m.v. Norwegian Crown* in November 2007 and *m.v. Norwegian Wind* (renamed to *m.v. SuperStar Aquarius*) in April 2007. Occupancy for 4Q 2007 was at 104.0% compared to 100.2% in 4Q 2006.

Ship operating expenses per capacity day in 4Q 2007 increased 5.4% compared with 4Q 2006 primarily due to higher fuel costs and the timing of dry-docks, partially offset by lower payroll and related costs related to NCLC Group's inter-island cruises in Hawaii. Average fuel prices increased approximately 46% in 4Q 2007 compared with 4Q 2006.

SG&A expenses per capacity day increased 10.6% compared with 4Q 2006 mainly as a result of additional professional fees primarily in connection with technology initiatives.

For 2007, capacity was 10.3% higher compared with 2006 mainly due to the full year of sailing of *m.v. Norwegian Pearl* and *m.v. Pride of Hawaii* and the introduction of *m.v. Norwegian Gem* partially offset by the departures of *m.v. Norwegian Wind* and *m.v. Norwegian Crown*. Net revenue was 12.7% higher as a result of the increase in capacity and a 2.1% increase in net revenue yield. Occupancy in 2007 was at 106.6% compared to 105.1% in 2006.

Ship operating expenses per capacity day for 2007 were essentially flat (an increase of 0.3%) compared with 2006. An increase in fuel expenses and other ship operating expenses was offset by a decrease in payroll and related costs. Payroll and related costs in 2006 included start-up costs associated with the introduction of *m.v. Pride of Hawaii* in May 2006. The

absence of start-up costs in 2007 and a decrease in crew turnover in the Hawaii operations resulting in lower recruiting and training costs were the primary drivers for the improvement in payroll and related costs per capacity day. Average fuel prices increased approximately 11.5% in 2007 compared with 2006.

SG&A expenses per capacity day for 2007 increased 4.4% compared with 2006 mainly due to an increase in media marketing and advertising.

Outlook

On 7 January 2008, the Group completed the deemed disposal arising from subscription for new shares by Apollo Management, L.P. in a then major subsidiary, NCL Corporation Ltd. ("NCLC") through an equity investment of US\$1 billion. As a result, NCLC ceased to be a subsidiary and became a jointly controlled entity of the Company. Star Cruises intends to exercise its rights under the Reimbursement and Distribution Agreement in relation to the Apollo transaction. NCLC intends to transfer *m.v. Pride of Aloha* to Star Cruises, and continue to deploy *m.v. Pride of America* in Hawaii. Star Cruises intends to deploy *m.v. Pride of Aloha* in the Asian market. It is estimated that upon completion of these transactions, the Group will in year 2008 record a gain of approximately US\$74 million. In addition, this will allow Star Cruises to concentrate its management and financial resources on its Asia-Pacific/Greater China cruise and cruise related businesses, as well as to re-focus its efforts on its inherent strength in the Asia-Pacific markets.

Terminology

- *Net revenue yield represents total revenues less commissions, transportation and other expenses and onboard and other expenses per Capacity Day.*
- *Ship operating expenses represent operating expenses excluding commissions, transportation and other expenses and onboard and other expenses. NCLC Group, reporting under US GAAP, accounts for dry-docking costs under the direct expense method and these costs are classified as ship operating expenses. Under HKFRS, 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.*
- *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 21 ships with about 33,300 lower berths in service with an additional 2 ships and some 8,400 lower berths due to be delivered by 2010, 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 25 locations worldwide. Headquartered in Hong Kong, offices and representatives have been set up in China, Taiwan, Thailand, Indonesia, Japan, Korea, Malaysia, Singapore, Cambodia, Philippines, India, United Arab Emirates, New Zealand, Australia, Sweden, Germany, UK and the USA.

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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 Company about the industry and markets in which the Company and its subsidiaries (the "Group") will operate in the future. 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, political and business conditions, changes in cruise industry competition, weather, force majeure events and/or other factors. Reliance should not be placed on these forward-looking statements, which merely reflect the view of the Company as of the date of this press release only. The Company is under no obligation to revise or update publicly these forward-looking statements or any part thereof to reflect events or circumstances resulting from any new information, future events or otherwise on which any such statement was based.

CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS AND THE YEAR ENDED 31 DECEMBER 2007
PREPARED IN ACCORDANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

	Three months ended 31 December		Year ended 31 December	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
	unaudited	unaudited	audited	audited
Turnover	620,628	547,103	2,576,240	2,343,055
Operating expenses (excluding depreciation, amortisation and impairment loss)	(481,055)	(440,387)	(1,898,262)	(1,728,466)
Selling, general and administrative expenses (excluding depreciation)	(106,565)	(91,622)	(350,301)	(303,211)
Depreciation and amortisation	(64,129)	(56,974)	(243,058)	(215,926)
Impairment loss	-	(30,600)	(5,165)	(30,600)
	<u>(651,749)</u>	<u>(619,583)</u>	<u>(2,496,786)</u>	<u>(2,278,203)</u>
	(31,121)	(72,480)	79,454	64,852
Interest income	763	1,459	4,482	6,670
Finance costs	(63,369)	(62,616)	(234,295)	(200,944)
Share of profit / (losses) of associates	(2)	656	(907)	(82)
Other expenses, net (<i>note 2</i>)	(28,442)	(14,008)	(44,840)	(26,556)
	<u>(91,050)</u>	<u>(74,509)</u>	<u>(275,560)</u>	<u>(220,912)</u>
Loss before taxation	(122,171)	(146,989)	(196,106)	(156,060)
Taxation	(1,409)	(574)	(4,780)	(136)
Loss for the period / year	<u>(123,580)</u>	<u>(147,563)</u>	<u>(200,886)</u>	<u>(156,196)</u>
Attributable to:				
Equity holders of the Company	(123,520)	(147,563)	(200,806)	(156,196)
Minority interest	(60)	-	(80)	-
	<u>(123,580)</u>	<u>(147,563)</u>	<u>(200,886)</u>	<u>(156,196)</u>
Loss per share in US cents:				
- Basic	(1.66)	(2.58)	(2.77)	(2.76)
- Diluted	N/A (<i>note 1</i>)	(2.58)	N/A (<i>note 1</i>)	N/A (<i>note 1</i>)
Weighted average outstanding ordinary shares, in thousands	7,423,472	5,711,154	7,252,052	5,662,860
Weighted average outstanding ordinary shares after assuming dilution, in thousands	7,433,459	5,711,154	7,260,636	5,663,367
<u>Unaudited operating data</u>				
Passenger Cruise Days	3,042,925	2,729,997	11,844,927	10,498,677
Capacity Days	3,028,021	2,790,013	11,511,621	10,403,738
Occupancy as a percentage of total capacity days	100%	98%	103%	101%

Notes:

- (1) Diluted loss per share for the three months and the year ended 31 December 2007 and the year ended 31 December 2006 are not shown as the diluted loss per share is less than the basic loss per share.
- (2) Included in the net other expenses for the three months ended 31 December 2007 and 2006 were US\$29.8 million and US\$13.8 million translation loss of Euro denominated debt, respectively.

Included in the net other expenses for the year ended 31 December 2007 were translation loss of Euro denominated debt of US\$92.0 million and a gain on disposal of RWS of US\$53.7 million. Included in the net other expenses for the year ended 31 December 2006 were translation loss of Euro denominated debt of US\$35.1 million and a net gain of US\$13.7 million in relation to a shipyard compensation income, gain on disposal of a vessel and a write down of non-cruise investment in a low cost carrier.