



# Star Cruises Limited

(Continued into Bermuda with Limited Liability)

## ANNOUNCEMENT

### RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2001

The Board of Directors (the "Directors") of Star Cruises Limited (the "Company") announces the unaudited consolidated accounts of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 30 September 2001, as follows:

	Note	Three months ended 30 September		Nine months ended 30 September	
		2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 unaudited	2000 US\$'000 unaudited
Turnover	1	379,834	428,893	1,042,447	981,438
Operating expenses (excluding depreciation and amortisation)		(221,289)	(241,209)	(636,448)	(560,867)
Selling, general and administrative expenses (excluding depreciation)		(59,314)	(58,843)	(177,309)	(146,227)
Depreciation and amortisation		(38,411)	(39,676)	(112,287)	(100,282)
		<u>(319,014)</u>	<u>(339,728)</u>	<u>(926,044)</u>	<u>(807,376)</u>
Operating profit	1	60,820	89,165	116,403	174,062
Interest income		1,020	986	6,313	2,134
Financial costs		(25,247)	(52,705)	(92,205)	(134,434)
Other non-operating income / (loss), net		1,046	(732)	8,222	834
Share of losses of associated company		—	—	—	(748)
		<u>(23,181)</u>	<u>(52,451)</u>	<u>(77,670)</u>	<u>(132,214)</u>
Profit before taxation		37,639	36,714	38,733	41,848
Taxation	2	(341)	(15,650)	(807)	(20,080)
Profit after taxation		37,298	21,064	37,926	21,768
Minority interests		—	(3,424)	—	(5,672)
Net profit for the period		<u>37,298</u>	<u>17,640</u>	<u>37,926</u>	<u>16,096</u>
Basic earnings per share (US cents)	3	0.90	0.56	0.92	0.52
Fully diluted earnings per share (US cents)	3	0.90	0.56	0.91	0.51
<b>Operating data</b>					
Passenger Cruise Days		1,894,158	1,958,884	5,353,701	4,840,524
Capacity Days		1,864,419	1,958,957	5,485,527	4,945,156
Occupancy as a percentage of capacity days		102%	100%	98%	98%

#### NOTES TO THE ACCOUNTS

##### 1. Turnover and Operating Profit

The Group is principally engaged in the operation of passenger cruise ships.

Turnover consists of revenues earned from cruise and cruise related activities and charter hire. Cruise and cruise related revenue comprises 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. Charter hire revenue includes the lease operation of one passenger cruise ship and a catamaran to third party customers.

The amounts of each significant category of revenue recognised by the Group were as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 unaudited	2000 US\$'000 unaudited
Cruise and cruise related activities	375,648	424,760	1,031,395	970,385
Charter hire	4,186	4,133	11,052	11,053
	<u>379,834</u>	<u>428,893</u>	<u>1,042,447</u>	<u>981,438</u>

##### OPERATING PROFIT

	Three months ended 30 September		Nine months ended 30 September	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited	2001 US\$'000 unaudited	2000 US\$'000 unaudited
Cruise and cruise related activities	58,559	86,417	110,202	167,730

Proforma results for the nine months ended 30 September 2000 is as follows:

	Nine months ended 30 September	
	2001 US\$'000 unaudited	2000 US\$'000 unaudited
Reported operating profit	116,403	174,062
<b>Proforma adjustments</b>		
To consolidate 100% of NCL's results from 1 January 2000 as if the acquisition of 100% of NCL had occurred on 1 January 2000	—	15,243
Proforma operating profit	116,403	189,305
Reported net profit	37,926	16,096
<b>Proforma adjustments</b>		
To consolidate 100% of NCL's results from 1 January 2000 as if the acquisition of 100% of NCL had occurred on 1 January 2000	—	5,875
Proforma net profit	37,926	21,971
<b>Operating data</b>		
Passenger Cruise Days	5,353,701	5,500,640
Capacity Days	5,485,527	5,662,544
Occupancy as a percentage of capacity days	98%	97%

Note: The above unaudited proforma results for the nine months ended 30 September 2000 have been prepared for illustrative purposes only and exclude any proforma adjustments for increased interest expense on borrowings to fund the acquisition.

In the third quarter this year, on a quarter on quarter comparison, the Group experienced a decrease in revenue of 11.4% from US\$428.9 million to US\$379.8 million. This is a direct result of a 4.8% decrease in capacity days and an overall 6.9% decrease in yield. Total costs and expenses, excluding non-operating expenses decreased 6.1% from US\$339.7 million to US\$319.0 million. Operating profit decreased 31.8% from US\$89.2 million to US\$60.8 million. Excluding the one time start up costs for the new ships of approximately US\$10 million, operating profit for this quarter would have been 20.7% lower than the results for the third quarter last year. Non-operating expenses decreased 55.8% from US\$52.5 million to US\$23.2 million as a result of lower interest expenses and gains on foreign exchange contracts for the period.

Quarter on quarter, revenue for the Group's Asia Pacific operations (excluding NCL's Asia Pacific operations) decreased 17.3% as a result of an 8.5% decrease in capacity days and 9.5% decrease in yield. The decline in capacity days compared to the same period last year was due to the sale of m.v. Star Aquarius, m.v. MegaStar Capricorn and m.v. MegaStar Sagittarius and drydock of m.v. SuperStar Leo and m.v. SuperStar Aries. The reduction in capacity days was partially offset by the introduction of m.v. Norwegian Star 1 in November 2000. Ship operating cost per capacity day for the Group's Asia Pacific operations reduced 2.5% in third quarter this year, resulting in a net nine months increase of 2.6%. Selling, general and administrative cost per capacity day reduced by 4.4% in third quarter this year, bringing the nine months movement to an overall increase of 2.2% over 2000.

Capacity days in third quarter for NCL decreased by 2.5% over the same period in 2000. The decrease in capacity days was mainly due to the transfer of m.v. Norwegian Star 1 into the Star Cruises Asia Pacific operations, partially offset by the introduction of M/S Norwegian Sun into the NCL's fleet from 1 September 2001. Net revenue yields for Norwegian Cruise Line Limited (excluding Norwegian Capricorn Line's operations in Australia), the combination of Norwegian Cruise Line and Orient Lines brands, declined 6.5% in third quarter, resulting in an overall 6.9% decline in the nine months of 2001. Ship operating costs per capacity day decreased by 4.4% in the third quarter and an overall decrease of 0.5% in the nine months of this year compared to last year. Selling, general and administrative costs per capacity day increased by 2.0% in third quarter, which results in an overall nine months increase of 5.6% over 2000. Higher selling, general and administrative expenses were mainly due to the US\$10 million shoreside overhead and promotional costs that were incurred for the start up of the new ships.

##### Foreign exchange and interest rate swaps

As at 30 September 2001, the Group has effectively converted the interest rate of aggregate US\$318.5 million of its term loan to a fixed rate obligation, and the estimated fair market value of these interest rate swaps was approximately US\$14.4 million, which was unfavourable to the Group. The changes in the fair value of these interest rate swaps are included as a separate component of reserve.

In the three months ended 30 September 2001, the Group entered into several additional forward contracts totalling US\$34.2 million to hedge currency exchange risk relating to its anticipated Singapore dollars' stream of revenue. As at 30 September 2001, the Group has forward contracts with a total notional amount of US\$201.2 million and the estimated fair market value of these forward contracts was US\$10.0 million, which was favourable to the Group. The changes in fair value of these forward contracts are included in the profit and loss account.

##### Liquidity and capital resources

In the nine months ended 30 September 2001, operating activities generated cash inflow of US\$244.9 million.

The Group made principal repayments of US\$381.2 million in relation to its long-term bank loans in the nine months ended 30 September 2001, of which US\$150 million was made from the proceeds of the disposal of m.v. Star Aquarius in 2001 of US\$75 million with the

	2001	2000	2001	2000
	US\$'000	US\$'000	US\$'000	US\$'000
	unaudited	unaudited	unaudited	unaudited
Cruise and cruise related activities	58,559	86,417	110,202	167,730
Charter hire	2,261	2,748	6,201	6,332
	<u>60,820</u>	<u>89,165</u>	<u>116,403</u>	<u>174,062</u>

The Group's turnover in its principal markets of North America and Asia Pacific is analysed as follows:

	TURNOVER			
	Three months ended 30 September		Nine months ended 30 September	
	2001	2000	2001	2000
	US\$'000	US\$'000	US\$'000	US\$'000
	unaudited	unaudited	unaudited	unaudited
Asia Pacific	119,790	157,332	372,678	409,446
North America (note)	223,369	242,706	582,880	512,587
Others	36,675	28,855	86,889	59,405
	<u>379,834</u>	<u>428,893</u>	<u>1,042,447</u>	<u>981,438</u>

	OPERATING PROFIT			
	Three months ended 30 September		Nine months ended 30 September	
	2001	2000	2001	2000
	US\$'000	US\$'000	US\$'000	US\$'000
	unaudited	unaudited	unaudited	unaudited
Asia Pacific	25,728	40,291	79,391	86,977
North America (note)	30,506	43,856	32,191	78,449
Others	4,586	5,018	4,821	8,636
	<u>60,820</u>	<u>89,165</u>	<u>116,403</u>	<u>174,062</u>

Note: Substantially all this turnover and operating profit arises in the United States of America.

## 2. Taxation

	Three months ended 30 September		Nine months ended 30 September	
	2001	2000	2001	2000
	US\$'000	US\$'000	US\$'000	US\$'000
	unaudited	unaudited	unaudited	unaudited
Overseas taxation				
- Current taxation	341	312	807	891
- Deferred taxation	—	15,338	—	19,189
	<u>341</u>	<u>15,650</u>	<u>807</u>	<u>20,080</u>

## 3. Earnings Per Share

Earnings per share has been calculated as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2001	2000	2001	2000
	US\$'000	US\$'000	US\$'000	US\$'000
	unaudited	unaudited	unaudited	unaudited
<b>BASIC</b>				
Net profit	37,298	17,640	37,926	16,096
Average outstanding ordinary shares in thousands	4,144,802	3,124,287	4,144,060	3,123,975
Basic earnings per share in US cents	<u>0.90</u>	<u>0.56</u>	<u>0.92</u>	<u>0.52</u>
<b>FULLY DILUTED</b>				
Net profit	37,298	17,640	37,926	16,096
Average outstanding ordinary shares in thousands	4,144,802	3,124,287	4,144,060	3,123,975
Effect of dilutive ordinary shares in thousands	15,118	48,026	21,990	53,577
Average outstanding ordinary shares after assuming dilution in thousands	4,159,920	3,172,313	4,166,050	3,177,552
Fully diluted earnings per share in US cents	<u>0.90</u>	<u>0.56</u>	<u>0.91</u>	<u>0.51</u>

## INTERIM DIVIDEND

The Directors do not recommend the declaration of any interim dividend in respect of the nine months ended 30 September 2001 (2000: Nil).

## FINANCIAL REVIEW

For the third quarter ended 30 September 2001, the Group recorded a net profit of US\$37.3 million on revenue of US\$379.8 million, as compared to a net profit of US\$17.6 million on revenue of US\$428.9 million for the same quarter in 2000. Net profit for the nine months ended 30 September 2001 was US\$37.9 million on revenue of US\$1,042.4 million, compared to a net profit of US\$16.1 million on revenue of US\$981.4 million for the same period in 2000.

### Results for nine months ended 30 September 2001 as compared with proforma results for nine months ended 30 September 2000

The results for the nine months ended 30 September 2001 are not directly comparable to the nine months ended 30 September 2000 as the Group consolidated the results of NCL Holding ASA ("NCL") which was acquired over the period December 1999 to February 2000, with effect from 1 March 2000. On a proforma basis, including NCL's results for January and February 2000, the Group recorded a net profit of US\$37.9 million compared to a proforma net profit of US\$22.0 million in the same period in 2000.

In the nine months ended 30 September 2001, operating activities generated cash inflow of US\$244.9 million.

The Group made principal repayments of US\$381.2 million in relation to its long-term bank loans in the nine months ended 30 September 2001, of which US\$150 million was made from the proceeds of the disposal of m.v. Star Aquarius in 2001 of US\$75 million with the balance from the proceeds of the convertible notes issued to Resorts World Limited and the share placement. In August 2001, the Group borrowed US\$225 million under the M/S Norwegian Sun Post-Delivery Loan Agreement and together with the US\$45 million term loan obtained during this quarter, it repaid the 1999 KfW Loan and the final shipyard contract payment (including costs related to extras). The 1999 KfW Loan had been fully drawdown during the six months ended 30 June 2001.

In the nine months ended 30 September 2001, the Group incurred approximately US\$283.7 million of capital expenditure on fixed assets. Capital expenditure for the nine months ended 30 September 2001 were primarily associated with the payments to shipyards upon delivery of M/S Norwegian Sun to the Group as well as for ships under construction and the refurbishment of the Group's existing fleet. Approximately US\$90.5 million was received from disposal of fixed assets, mainly from the disposal of m.v. Star Aquarius and m.v. MegaStar Sagittarius during the period.

The Group has re-classified the 5-year US\$450 million Barclays syndicated term loan as a current liability as the Group was in breach of one of the financial covenants relating to this term loan as at 30 September 2001. On 6 November 2001, the Group accepted a Syndicated Term Loan Facility offer from The Hong Kong and Shanghai Banking Corporation Limited ("HSBC") to provide up to US\$450 million in loans to refinance the 5-year Barclays syndicated term loan. The commitment of HSBC in respect of the facility offer is subject to HSBC being of the opinion that there has been no material adverse change in the status or financial condition of the Group or in the international financial markets that may affect the successful syndication of the loan. The facility bears interest at rates, which vary according to the London Interbank Offer Rate, and is repayable in 12 equal installments payable at six-monthly intervals commencing 18 months from the facility agreement date. If a notice of acceleration for repayment of all or part of the Barclays syndicated term loan is received, such acceleration would trigger cross-default provisions under other indebtedness of the Group.

## Prospects

The unexpectedly pronounced general slowdown in the global economy coupled with the impact of the terrorist attacks in the United States in September 2001, have adversely affected travelling patterns, passenger traffic and the leisure industry in general in which the Group operates. In this present continuing difficult environment, the Group has been continually reviewing its operations and taking the necessary measures to meet the dynamics of demand and capacity in the cruise operations. Such measures enable the Group to consolidate its operations and to provide a strong foundation for the Group's future growth when the economic outlook becomes more positive. The measures that have been taken include:

- delaying the planned and previously announced swap of the m.v. SuperStar Aries and the SS Norway.
- focusing on the primary core markets such as Singapore, Hong Kong and North America and promoting "homeland cruising" in part to address people's fear of long-hour flights currently.
- reorganizing the Group's Japan operations to focus only on fly cruise by withdrawing the m.v. SuperStar Taurus from Fukuoka, Japan.
- merging the Norwegian Cruise Line and Orient Lines' shoreside operations.
- adding a second ship to the Hawaii market in 2002 in view of the strong bookings for the m.v. Norwegian Star. The Norwegian Wind, originally scheduled to operate in Asia until 4 January 2003, instead will operate 10- and 11-night cruises from Honolulu starting 27 September 2002, through April 2003.

As well, the Group has introduced additional measures to further streamline the cost structure. Such measures are, among others, salary restructuring for employees and centralising back office functions. These cost control initiatives are being implemented and the Group expects to deliver an approximate cost reduction of around 5% in 2002. The Group has also eliminated, deferred or reduced a number of capital projects after reviewing its capital expenditure program.

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 2000 and in the quarterly report for the three months ended 31 March 2001 and six months ended 30 June 2001.

## 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 nine months ended 30 September 2001, save for the issue of 5,649,500 new ordinary shares of US\$0.10 each at an aggregate price of US\$1,556,957 pursuant to the exercise of options granted under The Star Cruises Employees Share Option Scheme.

## CORPORATE GOVERNANCE

In compliance with the Code of Best Practice stipulated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code of Best Practice"), the Company has established an Audit Committee with written terms of reference. 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. The unaudited consolidated accounts have been reviewed by the Audit Committee.

None of the Directors is aware of information that would reasonably indicate that the Company was not in compliance with the Code of Best Practice at any time during the nine months ended 30 September 2001 except that Independent Non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

## PUBLICATION OF FINANCIAL INFORMATION

All the information required by paragraphs 46(1) to 46(6) inclusive in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be available for publication in the website of the Stock Exchange as soon as practicable.

By order of the Board  
**DATO' LIM KOK THAY**  
 Chairman, President and Chief Executive Officer

Hong Kong, 14 November 2001

Note: The Group now prepares financial statements in accordance with Hong Kong GAAP given its listing on the Stock Exchange of Hong Kong. Management continues to prepare financial statements in accordance with US GAAP given that this was the basis historically, most global cruise companies prepare their financial statements in accordance with US GAAP and financial analysts' preference for US GAAP. For information on the Group's US GAAP announcement, kindly visit the Group's website at [www.starcruires.com](http://www.starcruires.com).