



Star Cruises Limited
(Continued into Bermuda with limited liability)

ANNOUNCEMENT
RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2003

The Directors of Star Cruises Limited ("Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiary companies ("Group") for the three months and nine months ended 30 September 2003 together with the comparative figures for the previous periods as follow:

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2003	2002	2003	2002
		US\$'000	US\$'000	US\$'000	US\$'000
		unaudited	unaudited	unaudited	unaudited
Turnover	1	437,518	447,373	1,218,176	1,205,171
Operating expenses (excluding depreciation and amortisation)		(253,513)	(264,266)	(799,233)	(735,673)
Selling, general and administrative expenses (excluding depreciation)		(57,307)	(62,555)	(182,949)	(180,647)
Depreciation and amortisation		(49,966)	(43,950)	(147,277)	(130,154)
		<u>(360,786)</u>	<u>(370,771)</u>	<u>(1,129,459)</u>	<u>(1,046,474)</u>
Operating profit	1	76,732	76,602	88,717	158,697
Interest income		388	1,266	2,054	2,264
Financial costs		(22,694)	(25,022)	(70,332)	(74,243)
Other non-operating income / (expenses), net		(2,247)	3,391	(4,674)	(6,980)
		<u>(24,553)</u>	<u>(20,365)</u>	<u>(72,952)</u>	<u>(78,959)</u>
Profit before taxation		52,179	56,237	15,765	79,738
Taxation	2	(568)	(600)	(1,261)	(1,135)
Net profit for the period		<u>51,611</u>	<u>55,637</u>	<u>14,504</u>	<u>78,603</u>
Basic earnings per share after adjusting for the effect of the 2002 rights issue (US cents)	3	1.04	1.24	0.29	1.80
Fully diluted earnings per share after adjusting for the effect of the 2002 rights issue (US cents)	3	1.04	1.24	0.29	1.79
Operating data					
Passenger Cruise Days		2,176,090	2,225,359	6,358,900	6,248,438
Capacity Days		2,168,005	2,133,505	6,643,851	6,323,797
Occupancy as a percentage of total capacity days		100%	104%	96%	99%

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 of a catamaran to a third party customer.

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

	TURNOVER			
	Three months ended		Nine months ended	
	30 September		30 September	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
	unaudited	unaudited	unaudited	unaudited
Cruise and cruise related activities	436,318	446,053	1,215,692	1,202,090
Charter hire	1,200	1,320	2,484	3,081
	437,518	447,373	1,218,176	1,205,171

	OPERATING PROFIT			
	Three months ended		Nine months ended	
	30 September		30 September	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
	unaudited	unaudited	unaudited	unaudited
Cruise and cruise related activities	76,094	75,976	88,153	157,519
Charter hire	638	626	564	1,178
	76,732	76,602	88,717	158,697

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

	TURNOVER			
	Three months ended		Nine months ended	
	30 September		30 September	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
	unaudited	unaudited	unaudited	unaudited
Asia Pacific	112,675	120,648	306,069	352,208
North America (note)	299,633	306,149	826,796	785,551
Others	25,210	20,576	85,311	67,412
	437,518	447,373	1,218,176	1,205,171

1. Turnover and Operating Profit (Continued)

	OPERATING PROFIT			
	Three months ended		Nine months ended	
	30 September		30 September	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
	unaudited	unaudited	unaudited	unaudited
Asia Pacific	19,960	26,788	18,117	77,220
North America (note)	53,215	48,326	69,294	81,287
Others	5,659	3,767	7,612	7,027
	78,834	78,881	95,023	165,534
Amortisation of goodwill	(2,102)	(2,279)	(6,306)	(6,837)
	76,732	76,602	88,717	158,697

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

2. Taxation

	Three months ended		Nine months ended	
	30 September		30 September	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
	unaudited	unaudited	unaudited	unaudited
Overseas taxation				
- Current taxation	568	600	1,243	1,135
- Deferred taxation	-	-	18	-
	568	600	1,261	1,135

3. Earnings per share

Earnings per share has been calculated as follows:

	<u>Note</u>	<u>Three months ended</u> <u>30 September</u>		<u>Nine months ended</u> <u>30 September</u>	
		2003	2002	2003	2002
		US\$'000	US\$'000	US\$'000	US\$'000
		unaudited	unaudited	unaudited	unaudited
<u>BASIC</u>					
Net profit		51,611	55,637	14,504	78,603
Average outstanding ordinary shares in thousands after adjusting for the effect of the 2002 rights issue		4,946,489	4,487,267	4,946,279	4,370,370
Basic earnings per share in US cents	(i)	1.04	1.24	0.29	1.80
<u>FULLY DILUTED</u>					
Net profit		51,611	55,637	14,504	78,603
Average outstanding ordinary shares in thousands after adjusting for the effect of the 2002 rights issue		4,946,489	4,487,267	4,946,279	4,370,370
Effect of dilutive ordinary shares in thousands after adjusting for the effect of the 2002 rights issue		4,223	12,012	198	12,911
Average outstanding ordinary shares in thousands after adjusting for the effect of the 2002 rights issue and assuming dilution		4,950,712	4,499,279	4,946,477	4,383,281
Fully diluted earnings per share in US cents	(i)	1.04	1.24	0.29	1.79

Note:

- (i) In December 2002, the Company issued 607,420,455 rights shares of US\$0.10 each in the proportion of 7 rights shares for every 50 shares held. Accordingly, the Group retroactively restated its basic and diluted earnings per share for the three months and nine months ended 30 September 2002 to reflect the effect of the rights issue.

INTERIM DIVIDEND

The Directors do not recommend the declaration of any interim dividend in respect of the nine months ended 30 September 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three months ended 30 September 2003 as compared with three months ended 30 September 2002

Turnover

The Group's revenue for the three months ended 30 September 2003 was US\$437.5 million, dropped 2.2% from US\$447.4 million for the three months ended 30 September 2002. Despite a slight capacity increase, revenue was lower primarily due to lower cruise ticket prices and overall occupancy level. As a result, net yield for the three months ended 30 September 2003 decreased 3.4% as compared with the same quarter of 2002. The lower net yield and occupancy level were mainly the result of the tail-end effect of the Severe Acute Respiratory Syndrome ("SARS") on the Asia-Pacific business. The capacity increase of 1.6% was primarily due to the introduction of Norwegian Dawn, which was substantially offset by the out of service of s/s Norway following its incident in May 2003. Net yield is defined as net revenue per capacity day after deducting such costs as commissions, air tickets and other direct costs.

Star Cruises Asia Pacific operated with 2.9% more capacity days in the three months ended 30 September 2003 compared to the three months ended 30 September 2002. Occupancy level and net yield in third quarter was 10.8% and 12.5% lower respectively as compared with third quarter last year. Net yield weakened as pricing was used to stimulate demand after the containment of SARS when both the SuperStar Virgo and SuperStar Leo were relocated back to their homeport in Singapore and Hong Kong respectively in the latter half of July this year.

NCL Group recorded an increase in capacity days of 1.1% for the three months ended 30 September 2003 as compared to the three months ended 30 September 2002. The increase in capacity days was primarily due to the introduction into service of the purpose built "Freestyle Cruising" m.v. Norwegian Dawn in December 2002 offset substantially by the withdrawal of s/s Norway. Occupancy rates were slightly down, at 106.8% for the three months ended 30 September 2003 versus 107.8% for the same quarter last year. Net yield was up 1.6% over the third quarter last year. NCL Group had a good third quarter, reflecting a relatively strong summer season for domestic North American cruising. Most domestic trades performed well from a revenue standpoint and the three Europe-based ships all experienced a more challenging pricing environment.

Costs and expenses

Total costs and expenses before interest and non-operating items for the three months ended 30 September 2003 amounted to US\$360.8 million as compared with US\$370.8 million for the three months ended 30 September 2002.

Ship operating expenses (excluding costs such as commissions, air tickets and other direct costs as they are already factored into the net yield) increased by 1.2% for the three months ended 30 September 2003 as compared with the same period in 2002. This was in large due to the 1.6% capacity expansion, expenses of s/s Norway and higher fuel costs. Included in operating expenses for the three months ended 30 September 2003 was proceeds from the loss of hire coverage net of related expenses of US\$9.2 million arising from s/s Norway boiler accident.

Selling, general and administrative ("SG&A") expenses decreased 8.4% as compared with the same period last year due primarily to further cost reduction initiatives taken in Asia Pacific during the SARS outbreak period. Included in the SG&A expenses for the three months ended 30 September 2002 was a provision of US\$5 million relating to the retirement benefit liability of a senior executive under the Supplemental Senior Retirement Benefit Plan.

Depreciation and amortisation expenses increased US\$6.0 million from US\$44.0 million for the three months ended 30 September 2002 to US\$50.0 million for the three months ended 30 September 2003. The increase was primarily due to additional depreciation associated with the introduction of Norwegian Dawn in December 2002 and ship refurbishment and drydocking expenditure during the period.

Operating profit

The Group recorded an operating profit of US\$76.7 million for the three months ended 30 September 2003, essentially unchanged from the third quarter last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Non-operating income/(expense)

Non-operating expenses increased 20.6% to US\$24.6 million for the three months ended 30 September 2003 compared with US\$20.4 million for the three months ended 30 September 2002. During the three months ended 30 September 2003, the Group had a non-cash loss on forward contracts amounting to US\$1.3 million as compared to a non-cash gain on forward contracts of US\$4.8 million in the third quarter of 2002. The non-cash loss on forward contracts resulted primarily from the strengthening of the Singapore dollar against the US dollar during the quarter. Net interest expenses for the three months ended 30 September 2003 reduced compared with the same period last year as the Group benefited from lower interest rates despite higher average outstanding debts.

Profit before taxation

Profit before taxation for the three months ended 30 September 2003 was US\$52.2 million as compared to US\$56.2 million for the three months ended 30 September 2002.

Taxation

The Group incurred taxation expenses of US\$0.6 million each for the three months ended 30 September 2003 and 2002.

Net profit attributable to shareholders

As a result, the Group recorded a net profit attributable to shareholders of US\$51.6 million for the three months ended 30 September 2003.

Liquidity and capital resources

Sources and uses of funds

The majority of the cash and cash equivalents are held in U.S. dollars. For the three months ended 30 September 2003, cash and cash equivalents decreased to US\$165.5 million from US\$230.7 million as at 30 June 2003. The Group's business provided US\$30.5 million of net cash from operating activities for the three months ended 30 September 2003 as compared to US\$66.3 million for the three months ended 30 September 2002. The decrease in net cash generated from operating activities was primarily a result of the changes in operating liabilities during the quarter as compared to the same quarter last year.

During the three months ended 30 September 2003, the Group's capital expenditure was approximately US\$44.8 million. Approximately US\$36.3 million of the capital expenditure was related to capacity expansion and the remaining was mainly for the vessel refurbishments, drydocking and onboard assets.

In July 2003, the Group refinanced the outstanding balance of US\$225 million M/S Norwegian Sun Post-delivery Loan through a drawdown of US\$225 million term loan as well as fully repaid the outstanding balance of US\$45 million term loan. Also, the Group made scheduled principal repayments of US\$63.7 million in relation to its long-term bank loans and drewdown €7.5 million (equivalent to approximately US\$42.5 million) under the €98 million secured term loan agreements for completion of the ship, Pride of America.

Restricted cash increased approximately US\$52.1 million during the six months ended 30 June 2003 due to amounts withheld by the previous credit card processor and was at approximately US\$102.8 million as at 30 June 2003. The restricted cash is now being released to Norwegian Cruise Line Limited ("NCLL") following the issuance of the letters of credit facilities on 26 September 2003 as security to the bankcard processor. During the three months ended 30 September 2003, approximately US\$10.6 million was released to NCLL by the previous bankcard processor.

During the three months ended 30 September 2003, two additional ships for the NCL brand were ordered at Meyer Werft in Germany for delivery in the fall of 2005 and the spring of 2006. These two ships which costs approximately US\$790 million, are variations on the Norwegian Dawn/Norwegian Star design that is proving so successful and popular.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Nine months ended 30 September 2003 as compared with nine months ended 30 September 2002

Turnover

The Group's revenue for the nine months ended 30 September 2003 was US\$1,218 million, up 1.1% from US\$1,205 million for the nine months ended 30 September 2002. During the first nine months of 2003, capacity increased by 5.1%. The increase in the revenue was primarily due to the increased capacity with the Norwegian Dawn entering service at the end of last year which was substantially offset by the weak passenger demand and the withdrawal of s/s Norway at the end of May this year. The continuing security alerts, acts of terrorism, the war in Iraq and the SARS pandemic have all affected negatively the Group's performance in the first nine months this year. As a result, occupancy was 3.1% lower and net yield declined 5.3% in the first nine months of this year compared with the corresponding period last year.

Star Cruises Asia Pacific operated with 1.0% less capacity days in the nine months ended 30 September 2003 compared to the nine months ended 30 September 2002. Occupancy and net yield decreased 11.8% and 14.5% respectively for the nine months ended 30 September 2003 as compared with the same period a year ago.

NCL Group recorded an increase in capacity days of 7.7% for the nine months ended 30 September 2003 as compared to the nine months ended 30 September 2002. Occupancy and net yield were marginally down.

Cost and expenses

Total costs and expenses before interest and non-operating items for the nine months ended 30 September 2003 amounted to US\$1,129 million as compared with US\$1,046 million for the nine months ended 30 September 2002.

Ship operating expenses increased 11.4% for the nine months ended 30 September 2003 as compared with the same period in 2002. In large part, this was due to the 5.1% capacity expansion and the ship deployment costs incurred substantially in second quarter as a result of business decisions taken to mitigate the impact of SARS and higher fuel prices, especially in the lead-up to the war in Iraq. Included in the operating expenses for the nine months ended 30 September 2003 was the US\$5.3 million of net insurance proceeds related to the s/s Norwegian boiler accident.

SG&A expenses increased 1.3% as compared with the same period last year. The increase in SG&A expenses for the nine months ended 30 September 2003 was primarily due to the expenses relating to streamlining the Asia Pacific operations and the costs relating to the new Hawaii operations, increased advertising and promotional costs to introduce at short notice the two megaships in Australia. Included in the SG&A expenses for the nine months ended 30 September 2002 was a net other expense of US\$2.9 million for M/S Leeward settlement expenses, net of amount received for the re-delivery of M/S Norwegian Star 1.

Depreciation and amortisation expenses increased US\$17.1 million from US\$130.2 million for the nine months ended 30 September 2002 to US\$147.3 million for the nine months ended 30 September 2003. The increase was primarily due to additional depreciation associated with the addition of ships and ship refurbishment and drydocking expenditure during the period.

Operating profit

As a result of lower passenger demand resulting from negative global events as mentioned above, the Group recorded an operating profit of US\$88.7 million for the nine months ended 30 September 2003 as compared to US\$158.7 million for the nine months ended 30 September 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Non-operating income/(expense)

Non-operating expenses fell 7.6% to US\$73.0 million for the nine months ended 30 September 2003 from US\$79.0 million for the nine months ended 30 September 2002. During the nine months ended 30 September 2003, the Group had a non-cash gain on forward contracts amounted to US\$1.9 million as compared to a non-cash gain on forward contracts of US\$1.5 million in the same period last year. The Group recorded losses on extinguishment of debts of approximately US\$5.9 million in the nine months ended 30 September 2002. Net interest expenses for the nine months ended 30 September 2003 reduced compared with same period last year as the Group benefited from the lower interest rates despite higher average outstanding debts.

Profit before taxation

Profit before taxation for the nine months ended 30 September 2003 was US\$15.8 million as compared to US\$79.7 million for the nine months ended 30 September 2002.

Taxation

The Group incurred taxation expenses of US\$1.3 million for the nine months ended 30 September 2003 as compared with US\$1.1 million for the same period in 2002.

Net profit attributable to shareholders

The Group recorded a net profit attributable to shareholders of US\$14.5 million for the nine months ended 30 September 2003.

Liquidity and capital resources

Sources and uses of funds

For the nine months ended 30 September 2003, cash and cash equivalents decreased to US\$165.5 million from US\$417.0 million as at 31 December 2002. The Group's business provided US\$107.8 million of net cash from operating activities for the nine months ended 30 September 2003 as compared to US\$222.0 million for the nine months ended 30 September 2002. The decrease in net cash generated from operating activities was primarily due to lower profit in the nine months ended 30 September 2003 as compared with the same period in 2002.

During the nine months ended 30 September 2003, the Group's capital expenditure was approximately US\$183.2 million. Approximately US\$120.0 million of the capital expenditure was related to capacity expansion and the remaining was mainly for the vessel refurbishments, drydocking and onboard assets.

In July 2003, the Group refinanced the US\$225 million M/S Norwegian Sun Post-delivery Loan through a drawdown of US\$225 million term loan as well as repaid the US\$45 million term loan. The Group made scheduled principal repayments of US\$149.6 million in relation to its other long-term bank loans during the nine months ended 30 September 2003. The Group drewdown €68.5 million (equivalent to approximately US\$78.7 million) under the €98 million secured term loan agreements for completion of the ship, Pride of America.

Restricted cash was at approximately US\$94.6 million as at 30 September 2003. In the nine months ended 30 September 2003, approximately US\$10.6 million of the restricted cash was released to NCLL.

Contingent liability

There were no material updates to the information disclosed in the Group's annual report for the year ended 31 December 2002 and the interim reports for the three months ended 31 March 2003 and the three months and six months ended 30 June 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Significant subsequent events

On 17 October 2003, the Company announced a rights issue proposal of not less than 346,279,166 right shares of US\$0.10 each in the proportion of 7 rights shares for every 100 shares held on 4 November 2003 at HK\$2.25 (US\$0.29) per rights share payable in full on acceptance as well as a US\$180 million of convertible bonds issue. The convertible bonds issue was completed on 20 October 2003. The net proceeds of approximately US\$276 million will be used for the acquisition or construction of vessels, as general working capital and/or to reduce certain of the Group's outstanding bank loans. The details of the rights issue are set out in a prospectus to shareholders dated 12 November 2003.

Prospects

In Asia Pacific, bookings from the domestic and inbound Asian markets bounced rapidly back to normal after the containment of the SARS outbreak, however, the inbound Caucasian market from Australia and Europe which presently make up less than 10% of total passenger load has not fully recovered.

Following from the very positive response during the temporary deployment of the two megaships in Australia, Star Cruises announced in late September a regular seasonal deployment of SuperStar Leo to Australia in 2004 during the peak summer months (January through March) there. Bookings since have been very encouraging.

For NCL Group, Norwegian Dawn has completed her first summer in New York and is now moving into her first winter deployment there. The summer has been very successful and the Group is confident that the winter deployment will turn out to be a strong business too. It is likely, though, that the first winter will be a time of proving to the market that the deployment works operationally. The Hawaii business continues to perform well and forward bookings on next summer's introduction of Pride of America are already very encouraging.

Crown Odyssey has now rejoined the NCL fleet as Norwegian Crown and is currently sailing to her winter deployment in South America. Orient Lines, therefore, is back to being a one-ship brand: Marco Polo.

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 2002 and the interim reports for the three months ended 31 March 2003 and the three months and six months ended 30 June 2003.

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 2003, save for the issue of 707,250 new ordinary shares of US\$0.10 each at an aggregate price of US\$190,070 pursuant to the exercise of options granted under the Pre-listing Employee Share Option Scheme.

CORPORATE GOVERNANCE

In compliance with the Code of Best Practice stipulated in Appendix 14 of the Listing Rules (the "Code of Best Practice"), the Company has established an Audit Committee with written terms of reference with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external and internal audit and of internal controls and risk evaluation. 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 Audit Committee has reviewed these results.

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not at any time during the nine months ended 30 September 2003, in compliance with the Code of Best Practice, 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 provisions of the Byelaws 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.

On behalf of the Board

TAN SRI LIM KOK THAY
Chairman, President and Chief Executive Officer
Hong Kong, 13 November 2003

Note:

The Group prepares financial statements in accordance with Hong Kong GAAP given its listing on The Stock Exchange of Hong Kong Limited. Management continues to prepare financial statements in accordance with US GAAP given that this was the basis historically and most global cruise companies prepare their financial statements in accordance with US GAAP. For information on the Group's US GAAP announcement, kindly visit the Group's website at www.starcruiises.com

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.