



**HK GAAP RESULTS RELEASE
FOR IMMEDIATE RELEASE**

**23 August 2005
INTERNATIONAL**

**STAR CRUISES GROUP ANNOUNCES SECOND QUARTER AND FIRST HALF
RESULTS FOR 2005**

Key points for the quarter in comparison with 2Q 2004: -

- Capacity increased by 8.3% from 1.9 million to 2.1 million capacity days
- Net cruise revenue increased by 14.0%
- Net cruise revenue yield increased by 5.3%
- EBITDA before impairment loss was US\$64.6 million, marginally lower from US\$65.3 million
- Operating profit before impairment loss increased by 53.5% from US\$17.0 million to US\$26.1 million
- Net profit before impairment loss was US\$8.9 million, up from a net loss of US\$9.0 million
- Ship operating expenses per capacity day were up by 10.6%
- Cruise selling, general and administrative expenses ("SG&A") per capacity day increased by 6.2%

Key points for the first half in comparison with 1H 2004: -

- Capacity increased by 1.3% from 4.0 million to 4.1 million capacity days
- Net cruise revenue increased by 8.2%
- Net cruise revenue yield increased by 6.8%
- EBITDA before impairment loss increased by 1.3% from US\$133.2 million to US\$134.9 million
- Operating profit before impairment loss increased by 58.2% from US\$35.5 million to US\$56.1 million
- Net profit before impairment loss was US\$13.3 million, up from a net loss of US\$18.2 million
- Ship operating expenses per capacity day were up by 11.5%
- Cruise SG&A per capacity day increased by 2.8%

Star Cruises Group

For 2Q 2005, the Group recorded a net profit of US\$8.9 million before impairment loss as compared with a net loss of US\$9.0 million in 2Q 2004. In 2Q 2005, the Group recorded an impairment loss of US\$2.7 million on a recently concluded charter and sale agreement of its catamaran. This disposal is in line with the Star Cruises Asia's overall fleet rationalisation plan. As a result of this impairment charge, the Group's net profit in 2Q 2005 was reduced to US\$6.2 million as compared to a net loss of US\$9.0 million in 2Q 2004.

The Group's net cruise revenue for 2Q 2005 was 14.0% higher as compared with 2Q 2004 due primarily to a 5.3% increase in net cruise revenue yield and a 8.3% capacity increase. The higher net cruise revenue yield was attributable to an increase in cruise ticket prices and higher onboard spending. Occupancy was slightly lower at 105.5% in 2Q 2005 as compared to 106.4% in 2Q 2004. Capacity increase in 2Q 2005 as compared to 2Q 2004 because of the timing and length of scheduled ship drydocking. Two mid-sized ships were drydocked in 2Q 2005 as compared with three of the largest ships in 2Q 2004.

The 2Q 2005 ship operating expenses per capacity day were 10.6% higher as compared with 2Q 2004. This was primarily due to an increase in fuel costs and higher cost structure of NCL America that commenced operation in June 2004. Average fuel prices increased approximately 41% as compared with 2Q 2004, with fuel costs reaching 16% of the ship operating expenses in 2Q 2005 as compared with 12% of ship operating expenses in 2Q 2004. Cruise SG&A expenses per capacity day increased by 6.2% as compared with 2Q 2004 mainly due to higher shoreside expenses for the Honolulu office. As a result, EBITDA before impairment loss per capacity day for 2Q 2005 were 8.8% lower as compared with 2Q 2004.

Depreciation and amortisation per capacity day decreased 17.6% as compared with 2Q 2004 mainly due to the impact of the cessation of amortisation of goodwill and trade names since beginning of 2005 following the adoption of new accounting standards effective 1 January 2005.

Interest expense, net of interest income and capitalised interest increased by 42.7% to US\$31.8 million for 2Q 2005 as compared with US\$22.3 million for 2Q 2004 primarily as a result of the impact of higher interest rates. Interests incurred specifically for ships under construction, are capitalised into the ship costs.

Non-operating income for 2Q 2005 was US\$16.9 million as compared with US\$2.9 million of non-operating expense in 2Q 2004. The non-operating income in 2Q 2005 was mainly the translation gain on Euro denominated debts.

For 1H 2005, the Group net cruise revenue was 8.2% higher as compared with 1H 2004 due primarily to a 6.8% increase in net cruise revenue yield and a 1.3% capacity increase. Occupancy level increased from 101.6% in 1H 2004 to 103.8% in 1H 2005.

On a per capacity day basis, ship operating expenses were 11.5% higher for 1H 2005 as compared with 1H 2004. This was due primarily to higher crew payroll costs and fuel costs. The higher crew costs were primarily attributable to the increased costs associated with the U.S. crew used for NCL Group Hawaii operations which began in June 2004. *m.v. Pride of America* commenced operations in mid June 2005. Average fuel prices during 1H 2005 increased approximately 30% as compared with 1H 2004. Fuel costs were at 15% of ship operating expenses as compared with 14% in 1H 2004 mainly a result of the higher fuel prices. Cruise SG&A expenses per capacity day were 2.8% higher for 1H 2005 as compared to 1H 2004 mainly due to higher shoreside expenses for the Honolulu office partially offset by lower advertising expenses.

For 1H 2005, EBITDA before impairment loss per capacity day remained relatively unchanged as compared with 1H 2004. An impairment loss of US\$2.7 million was recorded in 1H 2005. Depreciation and amortisation per capacity day decreased 14.8% as compared with 1H 2004 due to the impact of cessation of amortisation of goodwill and trade names since beginning of 2005 for the reason mentioned above.

Interest expense, net of interest income and capitalised interest increased by 42.1% to US\$62.1 million for 1H 2005 as compared with US\$43.7 million for 1H 2004 primarily as a result of the impact of higher interest rates.

Non-operating income for 1H 2005 was US\$22.1 million as compared with US\$9.3 million of non-operating expense in 1H 2004. The non-operating income in 1H 2005 was mainly the translation gain on Euro denominated debts.

As a result, net profit for 1H 2005 was US\$10.6 million as compared to a net loss of US\$18.2 million for 1H 2004.

Star Cruises (excluding NCL)

The 2Q 2005 capacity was 8.6% lower as compared with 2Q 2004 because of the transfer of *m.v. SuperStar Leo* (renamed *m.v. Norwegian Spirit*) to the NCL Group in May 2004. Despite a lower capacity and occupancy level, net cruise revenue yield in 2Q 2005 was 7.9% higher as compared with 2Q 2004. The higher spending onboard the ships continued to be the main contributor to the increase in net cruise revenue yield in 2Q 2005. Occupancy level for 2Q 2005 was at 100.0% as compared with 109.2% in 2Q 2004. The lower occupancy was due to the transfer of *m.v. SuperStar Leo* last year and the tail end effect of Tsunami this year.

Ship operating expenses per capacity day increased 8.0% in 2Q 2005 as compared with 2Q 2004 primarily due to higher fuel costs. On a per capacity day basis, fuel costs increased 45.1% to account for nearly 3 quarter of the 8.0% increase in 2Q 2005.

SG&A expenses per capacity day increased as a result of the negative scale economy impact of the capacity reduction.

For 1H 2005, capacity was 26.8% lower as compared with 1H 2004 because of the disposals of two older and less cost efficient ships *m.v. SuperStar Capricorn* and *m.v. SuperStar Aries* and the transfer of *m.v. SuperStar Leo* (renamed *m.v. Norwegian Spirit*) to the NCL Group.

Net cruise revenue yield was 13.4% higher as compared with 1H 2004. The occupancy level increased to 96.2% in 1H 2005 from 91.6% for 1H 2004. Ship operating expenses per capacity day increased 10.7% as compared with 1H 2004 mainly due to higher crew payroll expenses associated with higher staffing levels as a result of higher occupancies and higher fuel costs. SG&A expenses per capacity day increased 28.2% as compared with 1H 2004 for the reasons mentioned above.

NCL Group

The 2Q 2005 capacity increased 13.1% as compared with 2Q 2004 due to the additions of *m.v. Norwegian Spirit* (formerly *m.v. SuperStar Leo*) and *m.v. Pride of America*, which entered service in May 2004 and June 2005, respectively.

Net cruise revenue yield increased 7.2% in 2Q 2005 as compared with 2Q 2004. This increase was due to increased cruise ticket prices, higher onboard spending and increased

occupancy. Occupancy for 2Q 2005 was 106.8% as compared with 105.6% in 2Q 2004.

Ship operating expenses per capacity day increased 6.4% in 2Q 2005 as compared with 2Q 2004. Increased fuel costs accounted for approximately 4.6% of this increase.

SG&A expenses per capacity day increased 3.3% in 2Q 2005 as compared with 2Q 2004. This increase was primarily the result of shoreside expenses for the Honolulu office and marketing costs related to the introduction of the *m.v. Pride of America* in June 2005.

For 1H 2005, capacity increased 11.1% as compared with 1H 2004 due to the additions of *m.v. Norwegian Spirit* (formerly *m.v. SuperStar Leo*) and *m.v. Pride of America*, which entered service in May 2004 and June 2005, respectively.

Net cruise revenue yield increased 8.5% in 1H 2005 as compared with 1H 2004. This increase was due to increased cruise ticket prices and higher onboard spending. Occupancy for 1H 2005 was 105.6% as compared to 105.1% for 1H 2004.

Ship operating expenses per capacity day increased 8.3% as compared with 1H 2004 mainly due to higher crew expenses related to the U.S. crew used for Hawaii itineraries which began operations in June 2004 and higher fuel costs. Fuel costs accounted for approximately 3.5% of this increase.

SG&A expenses per capacity day decreased 3.2% in 1H 2005 as compared with 1H 2004. This decrease was a result of economies of scales achieved in connection with increased capacity.

NCL Group continues to renew its fleet with the delivery of *m.v. Pride of America* during 2Q 2005. NCL Group furthered this programme with the addition of *m.v. Norwegian Jewel* earlier this month. In addition, *m.v. Norwegian Sea* (renamed *m.v. SuperStar Libra*) left NCL fleet and transferred over to Star Cruises just a few weeks ago. Unfortunately, NCL Group continues to be impacted by the rising costs of fuel. On a per capacity day basis, fuel costs increased 38% in 2Q 2005 and represented 7.7% of revenues.

Terminology

- *Net cruise revenue yield represents net cruise 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.*
- *EBITDA represents earnings before interest, taxation, depreciation and amortisation and excluding non-recurring income or expenses but including non-cruise segment generated by the recently acquired tour company in Hawaii.*

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 and due to be delivered, with over 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 world-wide 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 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 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 PROFIT AND LOSS ACCOUNTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2005
PREPARED IN ACCORDANCE WITH HK GAAP**

	Three months ended 30 June		Six months ended 30 June	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
	unaudited	unaudited	unaudited	unaudited
Turnover	438,760	376,928	843,243	767,675
Operating expenses (excluding depreciation and amortisation) (Note 1)	(301,302)	(253,668)	(568,843)	(508,030)
Selling, general and administrative expenses (excluding depreciation)	(71,058)	(61,112)	(137,623)	(130,751)
Depreciation and amortisation (Note 2)	(40,256)	(45,116)	(80,630)	(93,395)
Impairment loss	(2,700)	-	(2,700)	-
	<u>(415,316)</u>	<u>(359,896)</u>	<u>(789,796)</u>	<u>(732,176)</u>
Operating profit	23,444	17,032	53,447	35,499
Interest income	2,782	631	4,212	1,275
Financial costs	(34,553)	(22,902)	(66,314)	(44,989)
Share of loss of an associated company	(1,800)	-	(1,951)	-
Other non-operating income / (expenses), net (Note 3)	16,863	(2,867)	22,132	(9,260)
	<u>(16,708)</u>	<u>(25,138)</u>	<u>(41,921)</u>	<u>(52,974)</u>
Profit / (Loss) before taxation	6,736	(8,106)	11,526	(17,475)
Taxation	(536)	(895)	(923)	(706)
Net profit / (loss) for the period	<u>6,200</u>	<u>(9,001)</u>	<u>10,603</u>	<u>(18,181)</u>
Earnings / (Loss) per share in US cents:				
- Basic	0.12	(0.17)	0.20	(0.34)
- Fully diluted (Note 4)	0.12	N/A	0.20	N/A
Weighted average outstanding ordinary shares in thousands	5,296,190	5,293,202	5,294,720	5,293,171
Weighted average outstanding ordinary shares after assuming dilution in thousands	5,300,116	5,731,485	5,298,322	5,732,318
<u>Unaudited operating data</u>				
Passenger Cruise Days	2,157,961	2,010,013	4,220,051	4,075,323
Capacity Days	2,045,705	1,888,881	4,063,899	4,010,899
Occupancy as a percentage of total capacity days	105%	106%	104%	102%

Notes :

- 1) Included US\$1.8 million of non-recurring income and US\$3.2 million of non-recurring expenses respectively in the three months ended 30 June 2005 and 2004. For the six months ended 30 June 2005 and 2004, the non-recurring income was US\$1.8 million and non-recurring expenses were US\$4.3 million respectively.
- 2) One of the accounting standards adopted since beginning of 2005 requires the Group to cease amortisation of its goodwill and trade names. Goodwill and trade names amortisation was US\$4.1 million and US\$8.2 million for the three months and six months ended 30 June 2004 respectively.
- 3) Included US\$16.2 million and US\$20.9 million translation gain of Euro denominated debts and US\$2.2 million and US\$3.6 million gain on forward contracts, respectively, for the three months and six months ended 30 June 2005. For the three months and six months ended 30 June 2004, the losses on forward contracts were US\$2.9 million and US\$7.3 million respectively.
- 4) Diluted loss per share for the three months and six months ended 30 June 2004 are not shown, as the diluted loss per share is less than the basic loss per share.