Financial Review

For the three months ended 31 March 2001, the Group recorded a net loss of US$0.2 million compared to US$0.6 million for the same period in 2000.

Results for three months ended 31 March 2001 as compared with proforma results for three months ended 31 March 2000

The results for the three months ended 31 March 2001 are not directly comparable to the three months ended 31 March 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 loss of US$0.2 million compared to a proforma net loss of US$0.1 million in the same period in 2000.

Proforma results for the three months ended 31 March 2000 is as follows:

	Three months ended 31 March 2001 *US$'000* *unaudited*	2000 *US$'000* *unaudited*
Reported operating profit	26,119	32,199
Proforma adjustments		
To consolidate 100% of NCL's results from 1 January 2000 as if the acquisition of 100% interest of NCL had occurred on 1 January 2000	—	15,243
Proforma operating profit	26,088	47,442
Reported net loss	(156)	(604)
Proforma adjustments		
To consolidate 100% of NCL's results from 1 January 2000 as if the acquisition of 100% interest of NCL had occurred on 1 January 2000	—	540
Proforma net loss	(156)	(64)
Operating data	Actual	Proforma
Passenger Cruise Days	1,694,181	1,648,968
Available Capacity Days	1,808,704	1,789,960
Occupancy as a percentage of total capacity	94%	92%

Note: The above unaudited proforma results for the three months ended 31 March 2000 have been prepared for illustrative purposes only and exclude any proforma adjustments for increased interest expense on borrowings to fund the acquisition.

Revenue for the Group increased by 0.1% from the proforma revenue of US$334.9 million to US$335.4 million as a result of an increase in occupancy of 2% on an increase of 1% in available capacity days. Revenue for Star Cruises Asia Pacific operations increased 17% due to an increase of 10% in available capacity days and yields, defined as net revenue per capacity day, increased 6.8% quarter on quarter. The increase was attributed to continued good performance in the Group's developed markets and also an improvement in the Thailand market which was partially offset by a poorer performance in the Taiwan market and start up losses in the Japan market. Revenue for NCL decreased 7.1% due to a 4.4% decrease in available capacity days. Yields decreased 4.1% partially due to the Millennium event which had a positive effect on 2000 proforma revenue. Excluding the impact of the Millennium event, yields decreased by 2.1% quarter on quarter.

Operating, selling and administrative expenses increased by 8.7% from proforma operating, selling and administrative expenses of US$251.4 million to US$273.2 million. The Group incurred additional expenses to improve safety levels as well as additional cost to improve quality of service onboard its ships.

Non-operating expenses decreased by 33% from proforma non-operating expenses of US$42.8 million to US$28.7 million as a result of lower interest expenses, higher interest income and gains on foreign exchange contracts for the period. The Group continues to amortise goodwill, tradenames and trademarks as a result of the acquisition of NCL.

Liquidity and capital resources

In the three months ended 31 March 2001, operating activities generated cash inflow of US$53.6 million.

The Group made principal repayments of US$24.4 million in relation to its long-term bank loans in the three months ended 31 March 2001. In addition, the Group drew down US$43.6 million under the 1999 KfW loan to part finance the construction of the M/S Norwegian Sun.

In the three months ended 31 March 2001, the Group incurred US$80.3 million of capital expenditure on fixed assets. US$71.4 million of this amount was applied towards the progress payment on the construction costs of m.v. SuperStar Scorpio and the M/S Norwegian Sun, as well as for the refurbishment of the Group's existing fleet. The remainder was used to expand the Group's onshore facilities. Approximately US$90.5 million was received mainly from the disposal of m.v. Star Aquarius and m.v. MegaStar Sagittarius during the period.

Prospects

The Group is currently expanding its distribution network by establishing a presence in China. The Group is also in the process of rolling out the Group's agent internet booking capabilities as it is a cost effective way of expanding distribution. More focus will be placed on the Group's core markets to improve service levels, food quality and onboard activities to maintain the Group's attractiveness as an alternative holiday option in light of competition from land based resorts.

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.