

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited accounts of the Group have been prepared in compliance with the revised Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting", and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and methods of computation used in the preparation of these quarterly accounts are consistent with those used in the annual accounts for the year ended 31 December 2001.

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current financial period.

2. 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 a catamaran to a third party customer.

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

Three months ended 31 March 2002

	Cruise and cruise related activities <i>US\$'000</i>	Charter Hire <i>US\$'000</i>	Total <i>US\$'000</i>
<u>unaudited</u>			
Turnover	367,782	260	368,042
Operating profit / (loss)	31,613	(256)	31,357
Interest income			373
Financial costs			(24,599)
Other non-operating expenses, net			(6,366)
Profit before taxation			765
Taxation			(84)
Net profit for the period			681

Three months ended 31 March 2001

	Cruise and cruise related activities <i>US\$'000</i>	Charter Hire <i>US\$'000</i>	Total <i>US\$'000</i>
<u>unaudited</u>			
Turnover	332,706	2,676	335,382
Operating profit	24,868	1,251	26,119
Interest income			3,207
Financial costs			(36,786)
Other non-operating income, net			4,885
Loss before taxation			(2,575)
Taxation			2,419
Net loss for the period			(156)

Notes to the Accounts (Continued)

2. TURNOVER AND OPERATING PROFIT (Continued)

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

	TURNOVER		OPERATING PROFIT	
	Three months ended 31 March		Three months ended 31 March	
	2002	2001	2002	2001
	US\$'000	US\$'000	US\$'000	US\$'000
	unaudited	unaudited	unaudited	unaudited
Asia Pacific	110,482	131,944	19,619	28,065
North America (note)	230,557	179,013	12,528	106
Others	27,003	24,425	1,489	15
	<u>368,042</u>	<u>335,382</u>	<u>33,636</u>	<u>28,186</u>
Amortisation of goodwill			(2,279)	(2,067)
			<u>31,357</u>	<u>26,119</u>

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

3. DEPRECIATION AND AMORTISATION

Depreciation and amortisation of the Group consists of the following:

	Three months ended 31 March	
	2002	2001
	US\$'000	US\$'000
	unaudited	unaudited
Depreciation of fixed assets	38,076	31,233
Amortisation of software development costs	488	968
Amortisation of goodwill	2,279	2,067
Amortisation of trade names and trademarks	1,823	1,824
Total depreciation and amortisation	<u>42,666</u>	<u>36,092</u>
– relating to operating function	39,510	32,752
– relating to selling, general and administrative function	<u>3,156</u>	<u>3,340</u>

4. TAXATION

	Three months ended 31 March	
	2002	2001
	US\$'000	US\$'000
	unaudited	unaudited
Overseas taxation		
– Current taxation	84	221
– Deferred taxation	—	(2,640)
	<u>84</u>	<u>(2,419)</u>

Notes to the Accounts (Continued)

5. EARNINGS / (LOSS) PER SHARE

Earnings / (Loss) per share has been calculated as follows:

	Three months ended 31 March	
	2002	2001
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>unaudited</i>
BASIC		
Net profit / (loss)	681	(156)
Average outstanding ordinary shares in thousands	4,147,120	4,143,299
Basic earnings / (loss) per share in US cents	0.02	(0.004)
FULLY DILUTED		
Net profit / (loss)	681	(156)
Average outstanding ordinary shares in thousands	4,147,120	4,143,299
Effect of dilutive ordinary shares in thousands	12,001	35,051
Average outstanding ordinary shares after assuming dilution in thousands	4,159,121	4,178,350
Fully diluted earnings per share in US cents	0.02	N/A*

* Diluted loss per share for the three months ended 31 March 2001 is not shown as the diluted loss per share is less than the basic loss per share.

6. TRADE RECEIVABLES

	As at	
	31 March 2002	31 December 2001
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>audited</i>
Trade receivables	19,870	28,804
Less: Provisions	(3,395)	(3,406)
	16,475	25,398

At 31 March 2002 and 31 December 2001, the ageing analysis of the trade receivables were as follows:

	As at	
	31 March 2002	31 December 2001
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>audited</i>
Current to 30 days	5,202	14,164
31 days to 60 days	3,207	4,665
61 days to 120 days	5,749	4,493
121 days to 180 days	2,285	2,562
181 days to 360 days	2,536	635
Over 360 days	891	2,285
	19,870	28,804

Credit terms generally range from payment in advance to 45 days credit terms.

Notes to the Accounts (Continued)

7. TRADE CREDITORS

The ageing of trade creditors as at 31 March 2002 and 31 December 2001 were as follows:

	31 March 2002	As at 31 December 2001
	<i>US\$'000</i> <i>unaudited</i>	<i>US\$'000</i> <i>audited</i>
Current to 60 days	63,092	96,872
61 days to 120 days	2,359	10,378
121 days to 180 days	959	1,668
Over 180 days	632	375
	<u>67,042</u>	<u>109,293</u>

Credit terms granted to the Group generally vary from no credit to 45 days credit.

8. LONG-TERM BANK LOANS

Long-term bank loans consist of the following:

	31 March 2002	As at 31 December 2001
	<i>US\$'000</i> <i>unaudited</i>	<i>US\$'000</i> <i>audited</i>
US\$521.6 million syndicated term loan	417,067	434,454
US\$626.9 million syndicated term loan	313,461	313,461
US\$600 million term loan	—	450,000
US\$450 million term loan	450,000	—
US\$210 million M/S Norwegian Sky Loan	182,000	182,000
US\$623 million Fleet Loan	565,200	565,200
US\$225 million M/S Norwegian Sun Post-delivery Loan	225,000	225,000
US\$45 million term loan	45,000	45,000
	<u>2,197,728</u>	<u>2,215,115</u>
Total liabilities	2,197,728	2,215,115
Less: Current portion	(116,676)	(94,551)
	<u>2,081,052</u>	<u>2,120,564</u>

- (i) On 20 February 2002, the Group signed an agreement with a syndicate of banks to provide up to US\$450 million ("US\$450 million term loan") to refinance the US\$600 million 5-year term loan. The Group drewdown this US\$450 million term loan on 28 March 2002.

The US\$450 million term loan bears interest at rates, which vary according to London Interbank Offer Rate, and is repayable in 12 equal installments at six-monthly intervals commencing 18 months from the facility agreement date. The US\$450 million term loan is secured by first and second priority mortgages over certain ships of the Group, guarantees from certain subsidiaries, assignment of earnings and assignment of insurances granted by the subsidiaries owning the ships relating to the first and second priority mortgages. The shares of these subsidiaries owning the ships relating to the first priority mortgage are also pledged as collateral. In addition, the shares over Norwegian Cruise Line Limited are granted as security.

As a result of the extinguishment of the US\$600 million term loan, the Group recorded a non-operating expense of US\$5.9 million. Such amount represents the unamortised balance of the related loan arrangement fees.

Notes to the Accounts *(Continued)*

9. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Golden Hope Limited, a company incorporated in the Isle of Man acting as trustee for the Golden Hope Unit Trust, a private unit trust whose beneficiaries include various trusts established for the benefit of Tan Sri Lim Goh Tong, and certain members of his family controls the Group.

Dato' Lim Kok Thay, the Chairman, President and Chief Executive Officer of the Group, is a son of Tan Sri Lim Goh Tong.

Kien Huat Development Sdn Bhd ("Kien Huat") is a company in which a brother of Dato' Lim Kok Thay has a substantial interest.

Genting Berhad ("GB"), a company in which Dato' Lim Kok Thay has a deemed interest and which is listed on the Kuala Lumpur Stock Exchange, controls Resorts World Berhad ("RWB"), a company also listed on the Kuala Lumpur Stock Exchange which in turn controls Resorts World Limited which is a substantial shareholder of the Company. GB indirectly controls Genting International PLC ("GIPLC"), a company listed on the Luxembourg Stock Exchange.

A description of certain material transactions between the Group and these companies is set out below:

- (a) Kien Huat, together with its related companies, is involved in constructing a terminal building and renovating a ship berth for the Group in Laem Chabang, Bangkok, Thailand. In addition, Kien Huat is also involved in carrying out improvements to the Group's berthing facilities and other infrastructure facilities. Amounts charged to the Group in respect of these services were US\$0.1 million each in the three-month periods ended 31 March 2002 and 2001 respectively.
- (b) GB and its related companies provide certain services to the Group, including treasury services, secretarial services, certain information technology support services and other support services. The Group also purchased air tickets from a subsidiary of RWB. Amounts charged to the Group in respect of these services totalled US\$0.2 million and US\$0.5 million in the three-month periods ended 31 March 2002 and 2001 respectively.
- (c) The Group provides certain administrative support and business liaison services to GIPLC internationally and the amount charged to GIPLC were US\$0.1 million and nil in the three-month periods ended 31 March 2002 and 2001 respectively.

Amounts outstanding at the end of each fiscal period in respect of the above transactions are included in the balance sheets within amounts due from / (to) related companies.

10. FINANCIAL INSTRUMENTS

- (i) In March 2002, the Group entered into several additional amortising interest rate swaps with a notional amount of US\$36.9 million to convert certain long-term borrowings from a floating rate obligation to a fixed rate obligation. As at 31 March 2002, the estimated fair market value of the interest rate swaps with a notional amount of US\$355.4 million was approximately US\$5.4 million, which was unfavourable to the Group. The changes in the fair value of the interest rate swaps were included as a separate component of reserves and recognised in the profit and loss account as the underlying hedged items were recognised. Subsequently in April 2002, an additional US\$60.0 million amortising interest rate swaps were entered into by the Group to further convert certain long-term borrowings from a floating rate obligation to a fixed rate obligation.
- (ii) The Group has entered into various Singapore dollars forward contracts. As at 31 March 2002, the notional amount of these contracts was US\$201.2 million. The notional amount will be reduced six-monthly in varying amounts over periods ranging from 5 to 11 years from August 2000. As at 31 March 2002, the estimated fair market value of these forward contracts was approximately US\$13.3 million which was favourable to the Group. The changes in the fair value of these forward contracts were recognised in the profit and loss account.

Notes to the Accounts *(Continued)*

11. CAPITAL COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure

The Group had the following commitments as at 31 March 2002 and 31 December 2001:

	31 March 2002	As at 31 December 2001
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>unaudited</i>	<i>audited</i>
Contracted but not provided for		
- Cruise ship under construction	330,697	330,697
- Cruise terminal under construction	—	3,060
- Others	—	1,094
	<u>330,697</u>	<u>334,851</u>

(ii) Material Litigation and Contingencies

Save as disclosed below, there were no material updates to the information disclosed in the Group's annual report for the year ended 31 December 2001.

Upon re-delivery of the M/S Leeward to its owners, Effjohn International NV ("Effjohn"), at the time of expiration of the bareboat charter entered into between NCL and Effjohn, Effjohn claimed damages relating to the condition of the ship and its equipment. On 14 July 2000, NCL received written notice from Effjohn of its intent to initiate arbitration proceedings to recover damages relating to the condition of the ship at the time of re-delivery and loss of revenue for the period the ship was out of service for repair. NCL has received Effjohn's points of claim as part of the arbitration proceeding and NCL filed its response on 15 October 2000. Arbitration proceedings have commenced in this matter. On 25 April 2002, the arbitration panel issued a judgement in favour of Effjohn with an amount of award of US\$10.2 million. The Group believes the arbitration may have erred in certain legal conclusions reached in its judgement and intends to review the prospects of appeal upon the official translation of the judgement from Norwegian to English. Accordingly, no additional provision has been made in the accompanying financial statements as at 31 March 2002. As at 31 December 2001, the Group has recorded a liability of approximately US\$6 million pursuant to this matter.