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 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 periods.

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:

	Cruise and cruise related activities		Charter Hire		Total	
	2002	2001	2002	2001	2002	2001
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Three months ended 30 June						
unaudited						
Turnover	388,255	323,041	1,501	4,190	389,756	327,231
Operating profit	49,930	26,775	808	2,689	50,738	29,464
Interest income					625	2,086
Financial costs					(24,622)	(30,172)
Other non-operating income/ (expenses), net					(4,005)	2,291
Profit before taxation					22,736	3,669
Taxation					(451)	(2,885)
Net profit for the period					22,285	784
Six months ended 30 June						
unaudited						
Turnover	756,037	655,747	1,761	6,866	757,798	662,613
Operating profit	81,543	51,643	552	3,940	82,095	55,583
Interest income					998	5,293
Financial costs					(49,221)	(66,958)
Other non-operating income/ (expenses), net					(10,371)	7,176
Profit before taxation					23,501	1,094
Taxation					(535)	(466)
Net profit for the period					22,966	628

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 are analysed as follows:

	TURNOVER			
	Three months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001
	US$'000 unaudited	*US$'000 unaudited*	*US$'000 unaudited*	*US$'000 unaudited*
Asia Pacific	121,078	120,944	231,560	252,888
North America (note)	248,845	180,498	479,402	359,511
Others	19,833	25,789	46,836	50,214
	389,756	327,231	757,798	662,613

	OPERATING PROFIT			
	Three months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001
	US$'000 unaudited	*US$'000 unaudited*	*US$'000 unaudited*	*US$'000 unaudited*
Asia Pacific	30,813	25,668	50,432	53,733
North America (note)	20,433	5,146	32,961	5,252
Others	1,771	718	3,260	733
	53,017	31,532	86,653	59,718
Amortisation of goodwill	(2,279)	(2,068)	(4,558)	(4,135)
	50,738	29,464	82,095	55,583

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 30 June		Six months ended 30 June	
	2002	2001	2002	2001
	US$'000 unaudited	*US$'000 unaudited*	*US$'000 unaudited*	*US$'000 unaudited*
Depreciation of fixed assets	39,123	32,735	77,199	63,968
Amortisation of software development costs	314	1,160	802	2,128
Amortisation of goodwill	2,279	2,068	4,558	4,135
Amortisation of trade names and trademarks	1,822	1,821	3,645	3,645
Total depreciation and amortisation	43,538	37,784	86,204	73,876
— relating to operating function	40,284	35,551	79,794	69,525
— relating to selling, general and administrative function	3,254	2,233	6,410	4,351

Notes to the Accounts *(Continued)*

4. TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001
	US$'000	*US$'000*	*US$'000*	*US$'000*
	unaudited	*unaudited*	*unaudited*	*unaudited*
Overseas taxation				
— Current taxation	451	245	535	466
— Deferred taxation	—	2,640	—	—
	451	2,885	535	466

5. EARNINGS PER SHARE

Earnings per share has been calculated as follows:

	Three months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001
	US$'000	*US$'000*	*US$'000*	*US$'000*
	unaudited	*unaudited*	*unaudited*	*unaudited*
BASIC				
Net profit	22,285	784	22,966	628
Average outstanding ordinary shares in thousands	4,187,167	4,144,062	4,167,254	4,143,683
Basic earnings per share in US cents	0.53	0.02	0.55	0.02
FULLY DILUTED				
Net profit	22,285	784	22,966	628
Average outstanding ordinary shares in thousands	4,187,167	4,144,062	4,167,254	4,143,683
Effect of dilutive ordinary shares in thousands	14,822	16,479	13,335	26,590
Average outstanding ordinary shares after assuming dilution in thousands	4,201,989	4,160,541	4,180,589	4,170,273
Fully diluted earnings per share in US cents	0.53	0.02	0.55	0.02

6. TRADE RECEIVABLES

	As at	
	30 June 2002	31 December 2001
	US$'000	*US$'000*
	unaudited	*audited*
Trade receivables	19,892	28,804
Less: Provisions	(3,421)	(3,406)
	16,471	25,398

Notes to the Accounts *(Continued)*

6. TRADE RECEIVABLES *(Continued)*

At 30 June 2002 and 31 December 2001, the ageing analysis of the trade receivables were as follows:

	As at 30 June 2002 *US$'000* *unaudited*	31 December 2001 *US$'000* *audited*
Current to 30 days	7,049	14,164
31 days to 60 days	3,186	4,665
61 days to 120 days	3,409	4,493
121 days to 180 days	2,622	2,562
181 days to 360 days	1,898	635
Over 360 days	1,728	2,285
	19,892	28,804

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

7. TRADE CREDITORS

The ageing of trade creditors as at 30 June 2002 and 31 December 2001 were as follows:

	As at 30 June 2002 *US$'000* *unaudited*	31 December 2001 *US$'000* *audited*
Current to 60 days	55,680	96,872
61 days to 120 days	3,291	10,378
121 days to 180 days	421	1,668
Over 180 days	843	375
	60,235	109,293

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:

		As at 30 June 2002 *US$'000* *unaudited*	31 December 2001 *US$'000* *audited*
US$521.6 million syndicated term loan		417,067	434,454
US$626.9 million syndicated term loan		303,012	313,461
US$600 million term loan	(i)	—	450,000
US$450 million term loan	(i)	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
Total liabilities		2,187,279	2,215,115
Less: Current portion		(159,556)	(94,551)
Long-term portion		2,027,723	2,120,564

8. LONG-TERM BANK LOANS *(Continued)*

(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.

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.

Tan Sri 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 Tan Sri Lim Kok Thay has a substantial interest.

Genting Berhad ("GB"), a company in which Tan Sri Lim Kok Thay has a deemed interest and which is listed on the Kuala Lumpur Stock Exchange, controls Resorts World Bhd ("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 months ended 30 June 2002 and 2001 and US$0.2 million each in the six months ended 30 June 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$0.4 million in the three months ended 30 June 2002 and 2001 and US$0.4 million and US$0.9 million in the six months ended 30 June 2002 and 2001 respectively.

(c) The Group provides certain administrative support and business liaison services to GIPLC internationally and the amounts charged to GIPLC were US$0.1 million each in the three months ended 30 June 2002 and 2001 and US$0.2 million and US$0.1 million in the six months ended 30 June 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) The Group entered into several additional amortising interest rate swaps with a notional amount of US$60.0 million to convert certain long-term borrowings from a floating rate obligation to a fixed rate obligation in the three months ended 30 June 2002. The Group has effectively converted the interest rate of aggregate US$415.4 million of these term loans to a fixed rate obligation and the notional amount will be reduced six-monthly in varying amounts over periods ranging from 6 to 10 years from the dates of the interest rate swap agreements. As at 30 June 2002, the estimated fair market value of the interest rate swaps was approximately US$21.0 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.

Notes to the Accounts *(Continued)*

10. FINANCIAL INSTRUMENTS *(Continued)*

(ii) The Group entered into an additional Singapore dollars forward contract with a notional amount of US$5.5 million in the three months ended 30 June 2002. The total notional amount of the Singapore dollars forward contracts was US$206.7 million and will be reduced six-monthly in varying amounts over periods ranging from 5 to 11 years from the dates of the contracts. As at 30 June 2002, the estimated fair market value of these forward contracts was approximately US$10.5 million, which was favourable to the Group. The changes in the fair value of these forward contracts were recognised as other income in the profit and loss account.

11. CAPITAL COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure

The Group had the following commitments as at 30 June 2002 and 31 December 2001:

	As at	
	30 June 2002	31 December 2001
	US$'000	*US$'000*
	unaudited	*audited*
Contracted but not provided for		
— Cruise ship under construction	359,697	330,697
— Cruise terminal under construction	—	3,060
— Others	—	1,094
	359,697	334,851

(ii) Material Litigation

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 and the interim report for the three months ended 31 March 2002.

(a) 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. Arbitration proceedings have commenced and on 25 April 2002, the arbitration panel issued a judgement in favour of Effjohn with an amount of award of US$10.2 million. As at 31 December 2001, the Group has recorded a liability of approximately US$6 million pursuant to this matter. In the three months ended 30 June 2002, the Group recorded additional liability of approximately US$4.2 million after receiving the official translation of the judgement from Norwegian to English and subsequent advice from its Norwegian counsel regarding the prospects for overturning the arbitration award under the Norwegian law. As the full amount has been accounted for todate, this is no longer a contingent liability to the Group.

(b) On 16 May 2000, NCL voluntarily self reported to the U.S. Attorney's Office for the Southern District of Florida ("U.S. Attorney's Office") a pattern of violations of environmental law on several of its ships. These violations were identified by a detailed internal review and investigation. Management believes that they have halted the infractions and commenced a comprehensive remedial programme to ensure that there will be no repeat of this problem. The Group believes that they are co-operating fully with the U.S. Attorney's Office and other authorities to investigate this matter. In June 2000, a federal grand jury in Miami, Florida issued a subpoena to the Group to produce documents relating to these same matters. Since that time, the Group has co-operated with the Government in its investigation and turned over a substantial amount of documents as well as the results of its internal investigation. Subsequent to 30 June 2002, NCL entered into a plea agreement with the U.S. Federal Government resolving NCL's liability with the Federal authorities. The plea agreement recognises NCL's internal investigation, co-operation and efforts to remedy the conditions leading to this violation, and provides that NCL will pay a fine of US$1 million, be placed on probation, and maintain a comprehensive environmental compliance plan. In addition to the agreed fine, NCL has also agreed to make community service payments in the total amount of US$500,000 to two Florida-based environmental organisations as a condition of its probation. These costs have been fully provided for in the financial statements as of 31 December 2001.