

## **Terminology**

- 1) Net Yields represent Gross Yields less commissions, transportation and other expenses and onboard and other expenses per Available Passenger Cruise Day. We utilize Net Yields to manage our business on a day-to-day basis and believe that it is the most relevant measure of our pricing performance. We have not provided a quantitative reconciliation of projected Gross Yields to projected Net Yields due to the significant uncertainty in projecting the costs deducted to arrive at this measure. Accordingly, we do not believe that reconciling information for such projected figures would be meaningful.
- 2) Available Passenger Cruise Days represent double occupancy per cabin multiplied by the number of cruise days for the period.
- 3) Gross Yields represent total revenues per Available Passenger Cruise Day.
- 4) Gross Cruise Costs represent total operating expenses and marketing, selling and administrative expenses.
- 5) Net Cruise Costs represent Gross Cruise Costs excluding commissions, transportation and other expenses and onboard and other expenses. In measuring our ability to control costs in a manner that positively impacts net income, we believe changes in Net Cruise Costs to be the most relevant indicator of our performance. We have not provided a quantitative reconciliation of projected Gross Cruise Costs to projected Net Cruise Costs due to the significant uncertainty in projecting the costs deducted to arrive at this measure. Accordingly, we do not believe that reconciling information for such projected figures would be meaningful.
- 6) Occupancy Percentage, in accordance with cruise industry practice, is calculated by dividing Passenger Cruise Days by Available Passenger Cruise Days. A percentage in excess of 100% indicates that three or more passengers occupied some cabins.
- 7) Passenger Cruise Days represent the number of passengers carried for the period multiplied by the number of days of their respective cruises.
- 8) EBITDA represents net income before interest, taxes and depreciation and amortization. EBITDA is a non-GAAP measure and should not be considered an alternative to any other measure of performance under generally accepted accounting principles. We present EBITDA because management believes that EBITDA would be useful for investors in assessing our operating performance and our performance relative to our financial obligations. Additionally, EBITDA is a measure commonly used by financial analysts because of its usefulness in evaluating operating performance.

### **Our revenues consist of the following:**

- Passenger ticket revenues consist of revenue recognized from the sale of passenger tickets and the sale of air transportation to our ships.
- Onboard and other revenues consist primarily of revenues from the sale of goods and/or services onboard our ships, cancellation fees, sales of vacation protection insurance and pre and post tours. Also included are revenues we receive from independent third party

concessionaires that pay us a percentage of their revenues in exchange for the right to provide selected activities onboard our ships.

**Our operating expenses consist of the following:**

- Commissions, transportation and other expenses consist of those costs directly associated with passenger ticket revenues, including travel agent commissions, air and other transportation expenses, port costs that vary with passenger head counts and related credit card fees.
- Onboard and other expenses consist of the direct costs associated with onboard and other revenues. These costs include the cost of products sold onboard our ships, vacation protection insurance premiums, costs associated with pre and post tours and related credit card fees. Concession revenues have minimal costs associated with them, as the costs related to these activities are incurred by the concessionaires.
- Payroll and related expenses consist of costs for shipboard personnel, including officers, crew, hotel and administrative employees.
- Food expenses include food costs for both passengers and crew.
- Other operating expenses consist of operating costs such as fuel, repairs and maintenance, port costs that do not vary with passenger head counts, insurance, entertainment and all other operating costs.
- We do not allocate payroll and related costs, food costs or other operating costs to the expense categories attributable to passenger ticket revenues or onboard and other revenues since they are incurred to provide the total cruise vacation experience.

The costs of commissions, transportation and other, and onboard and other expenses for 2004, 2003, and 2002 were as follows:

*(\$ in Millions)*

	<b>2004</b>		
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>
Commissions, transportation and other, and onboard and other expenses	\$261.8	\$283.8	\$343.9

*(\$ in Millions)*

	<b>2003</b>			
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
Commissions, transportation and other, and onboard and other expenses	\$210.2	\$226.9	\$286.2	\$210.5

	<b>2002</b>			
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
Commissions, transportation and other, and onboard and other expenses	\$223.9	\$210.1	\$256.3	\$187.1

The costs of commissions, transportation and other, and onboard and other expenses for 1998 through 2001 were as follows:

(\$ in Millions)

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Commissions, transportation and other, and onboard and other expenses	\$ 863.1	\$ 789.1	\$ 824.3	\$ 906.4

Available Passenger Cruise Days (“APCD”), represent double occupancy per cabin multiplied by the number of cruise days for the period. APCDs for 1993 through 2003 were as follows:

	<b>2003</b>				
APCDs	19,439,238				
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
APCDs	11,035,642	10,720,950	12,475,916	15,067,605	17,334,204
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
APCDs	5,133,970	5,139,738	5,196,899	5,977,418	8,410,454