Royal Caribbean Reports Improved First Quarter 2008 Earnings

2008-04-24

First quarter 2008 net income of $75.6 million, or $0.35 per share, compared to $8.8 million, or $0.04 per share in 2007.

Royal Caribbean Cruises Ltd. (NYSE: RCL, Oslo).

Key Highlights

First quarter 2008 net income of $75.6 million, or $0.35 per share, compared to $8.8 million, or $0.04 per share in 2007.

First quarter 2008 Net Yield grew 7.1% to a record $173 per APCD.

First quarter 2008 Net Cruise Costs per APCD increased 2.9%, and decreased 1.0% excluding fuel.

Fuel prices increased 53% versus 2007, but energy savings initiatives and hedging lowered the cost impact per APCD to 24%.

For the full year 2008, the company continues to expect Net Yields to increase in a range around 4%, and adjusting for higher current fuel prices, earnings per share to be $2.85 to $3.00.

"It is gratifying that, despite the challenging economic times, our guests continue to appreciate the outstanding value offered by our brands," said Richard Fain, Chairman and Chief Executive Officer. "We delivered the highest first quarter yields in our company's history, with significant improvement in ticket prices and continued healthy onboard spending."

Royal Caribbean Cruises Ltd. today announced net income for the first quarter 2008 of $75.6 million, or $0.35 per share, compared to net income of $8.8 million, or $0.04 per share, in 2007. The significant increase in earnings per share versus the first quarter 2007 was due primarily to increased capacity and higher yields, offset by higher fuel prices. Revenues for the first quarter 2008 increased to $1.4 billion from revenues of $1.2 billion in the first quarter 2007. Higher fuel prices increased costs by $60 million in the first quarter 2008, which reduced earnings per share by $0.28.

Key metrics for the first quarter 2008, as compared to the first quarter 2007, were as follows:

Net Yields increased 7.1% to a record $173 per APCD.

Excluding fuel, Net Cruise Costs per APCD decreased 1.0%.

Fuel prices increased 53%, while fuel costs per APCD increased 24%, benefiting from energy saving initiatives and hedging. The average at- the-pump price for the quarter was $592 per metric ton versus $388 per metric ton in 2007.

Net Cruise Costs per APCD increased 2.9%.

2008 Outlook

The company expects its second quarter 2008 earnings per share to be $0.40 to $0.45, and expects full year 2008 earnings per share to be $2.85 to $3.00.

"Our record yield performance in the first quarter and our solid forward bookings demonstrate our resilience and are certainly reassuring," said Fain. "Our brands have clearly differentiated themselves and our portfolio of innovative newbuilds will continue to feed their momentum."

Fain continued, "Higher fuel prices have been a prolonged challenge for us, but our management team remains focused on cost controls and continues to help mitigate the impact. Except for higher fuel prices, it is very gratifying to see our revenues and earnings projected to be as good or better than our original expectations. Our brands' momentum, cost savings initiatives, growing economies of scale and the efficiencies of our new vessels should continue to improve our shareholder value."

The company provided the following estimates for the second quarter and full year 2008, as compared to the second quarter and full year 2007, respectively.

	Second Quarter 2008	Full Year 2008
Earnings Per Share	$0.40 to $0.45	$2.85 to $3.00
Capacity	5.4%	5.1%
Net Yields	approx. 2%	approx. 4%
Net Cruise Costs per APCD	7% - 8%	approx. 5%
Net Cruise Costs per APCD, excluding Fuel	3% - 4%	2% - 3%
Depreciation and Amortization	$128 to $133 Million	$525 to $545 Million
Interest Expense	$85 to $90 Million	$320 to $340 Million

The company expects to have a 5.1% increase in capacity in 2008, driven primarily by a full year of Liberty of the Seas, the Independence of the Seas entering service in May, Pullmantur's purchase of Pacific Star, and Celebrity Solstice entering service in the fourth quarter.

The company does not forecast fuel prices and its cost guidance for fuel is based on current at-the-pump prices net of any hedge impacts. Based on today's fuel prices, the company has included $685 million in fuel expenses in its full year 2008 guidance. This figure is $90 million, or $0.42 per share, higher than at the time of its previous earnings guidance.

	Second Quarter 2008	Full Year 2008
Consumption (metric tons in thousands)	300	1,225
Fuel Expenses	$172 Million	$685 Million
Percent Hedged (forward consumption)	49%	50%
Impact of 10% Change in Fuel Prices on Unhedged Consumption	$10 Million	$29 Million

As of March 31, 2008, liquidity was $1.4 billion, including $0.4 billion in cash and cash equivalents and $1.0 billion in available credit on the company's unsecured revolving credit facility.

Based on current ship orders, projected capital expenditures for 2008, 2009, 2010, 2011, and 2012, are estimated to be $1.9 billion, $2.0 billion, $2.2 billion, $1.0 billion, and $1.0 billion, respectively. Projected capacity increases for the same five years are estimated at 5.1%, 9.3%, 11.4%, 6.4%, and 3.4%, respectively.