

ROYAL CARIBBEAN CRUISES LTD

Form 6-K

July 28, 2004

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 6-K**

**REPORT OF FOREIGN ISSUER PURSUANT TO RULES 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of July, 2004**

**ROYAL CARIBBEAN CRUISES LTD.**

(Translation of registrant's name into English)

**1050 Caribbean Way, Miami, Florida 33132**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

**ROYAL CARIBBEAN CRUISES LTD.  
INDEX TO QUARTERLY FINANCIAL REPORT**

	<b><u>Page</u></b>
Consolidated Statements of Operations for the Second Quarters and Six Months Ended June 30, 2004 and 2003	1
Consolidated Balance Sheets as of June 30, 2004 and December 31, 2003	2
Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2004 and 2003	3
Notes to the Consolidated Financial Statements	4
Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Signatures	17
Attachments	18

**ROYAL CARIBBEAN CRUISES LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited, in thousands, except per share data)

	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Passenger ticket revenues	\$ 844,554	\$ 663,817	\$ 1,634,647	\$ 1,316,947
Onboard and other revenues	298,445	242,024	570,036	469,058
<b>Total revenues</b>	<b>1,142,999</b>	<b>905,841</b>	<b>2,204,683</b>	<b>1,786,005</b>
Operating expenses				
Commissions, transportation and other	206,552	164,718	410,456	324,349
Onboard and other	77,294	62,191	135,177	112,733
Payroll and related	123,987	103,644	239,929	205,025
Food	65,755	57,534	131,591	115,257
Other operating	233,843	192,379	444,677	375,671
<b>Total operating expenses</b>	<b>707,431</b>	<b>580,466</b>	<b>1,361,830</b>	<b>1,133,035</b>
Marketing, selling and administrative expenses	143,321	119,457	293,559	243,441
Depreciation and amortization expenses	97,661	88,715	194,240	177,384
<b>Operating income</b>	<b>194,586</b>	<b>117,203</b>	<b>355,054</b>	<b>232,145</b>
Other income (expense)				
Interest income	1,333	809	2,782	1,914
Interest expense, net of capitalized interest	(77,146)	(66,750)	(152,886)	(131,634)
Other income (expense)	3,386	4,410	13,055	6,421
	(72,427)	(61,531)	(137,049)	(123,299)
<b>Net income</b>	<b>\$ 122,159</b>	<b>\$ 55,672</b>	<b>\$ 218,005</b>	<b>\$ 108,846</b>
<b>EARNINGS PER SHARE:</b>				
Basic	\$ 0.61	\$ 0.29	\$ 1.10	\$ 0.56
Diluted	\$ 0.59	\$ 0.28	\$ 1.05	\$ 0.56
<b>WEIGHTED-AVERAGE SHARES OUTSTANDING:</b>				
Basic	198,786	193,158	198,106	193,093
Diluted	216,730	195,882	216,335	195,394

The accompanying notes are an integral part of these financial statements.

**ROYAL CARIBBEAN CRUISES LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data)

	As of	
	June 30, 2004	December 31, 2003
	(unaudited)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 706,337	\$ 330,086
Trade and other receivables, net	94,957	89,489
Inventories	64,965	53,277
Prepaid expenses and other assets	94,865	101,698
	961,124	574,550
Property and equipment at cost less accumulated depreciation and amortization	10,238,150	9,943,495
Goodwill less accumulated amortization of \$138,606	278,561	278,561
Other assets	535,790	526,136
	\$ 12,013,625	\$11,322,742
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Current portion of long-term debt	\$ 1,080,736	\$ 315,232
Accounts payable	195,515	187,756
Accrued expenses and other liabilities	284,025	271,944
Customer deposits	1,037,036	729,595
	2,597,312	1,504,527
Long-term debt	4,896,425	5,520,572
Other long-term liabilities	31,867	34,746
Commitments and contingencies (Note 6)		
Shareholders' equity		
Common stock (\$.01 par value; 500,000,000 shares authorized; 198,990,778 and 196,106,658 shares issued)	1,990	1,961
Paid-in capital	2,159,053	2,100,612
Retained earnings	2,328,608	2,162,195
Accumulated other comprehensive income	6,367	5,846
Treasury stock (576,384 and 556,212 common shares at cost)	(7,997)	(7,717)
	(7,997)	(7,717)

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Total shareholders' equity	4,488,021	4,262,897
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	\$ 12,013,625	\$11,322,742
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The accompanying notes are an integral part of these financial statements.

**ROYAL CARIBBEAN CRUISES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited, in thousands)

	<b>Six Months Ended June 30,</b>	
	<b>2004</b>	<b>2003</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 218,005	\$ 108,846
Adjustments:		
Depreciation and amortization	194,240	177,384
Accretion of original issue discount on debt	25,401	24,139
Changes in operating assets and liabilities:		
Increase in trade and other receivables, net	(5,686)	(17,406)
Increase in inventories	(11,518)	(10,976)
Increase in prepaid expenses and other assets	(43,192)	(18,985)
Increase (decrease) in accounts payable	6,555	(3,758)
Increase (decrease) in accrued expenses and other liabilities	19,112	(23,207)
Increase in customer deposits	307,227	162,388
Other, net	244	(7,558)
Net cash provided by operating activities	710,388	390,867
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(476,002)	(98,108)
Other, net	(3,951)	(22,688)
Net cash used in investing activities	(479,953)	(120,796)
<b>FINANCING ACTIVITIES</b>		
Repayments of long-term debt, net	(93,724)	(169,672)
Net proceeds from issuance of debt	225,000	244,910
Dividends	(54,321)	(50,211)
Proceeds from exercise of stock options	55,329	4,230
Other, net	13,532	(12,929)
Net cash provided by financing activities	145,816	16,328
Net increase in cash and cash equivalents	376,251	286,399
Cash and cash equivalents at beginning of period	330,086	242,584
Cash and cash equivalents at end of period	\$ 706,337	\$ 528,983

**Supplemental Disclosure**

Cash paid during the year for:

Interest, net of amount capitalized	\$ 131,623	\$ 111,887
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The accompanying notes are an integral part of these financial statements.

**ROYAL CARIBBEAN CRUISES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

*As used in this document, the terms Royal Caribbean, company, we, our and us refer to Royal Caribbean Cruises Ltd., the term Celebrity refers to Celebrity Cruise Lines Inc. and the terms Royal Caribbean International and Celebrity Cruises refer to our two cruise brands. In accordance with cruise industry practice, the term berths is determined based on double occupancy per cabin even though many cabins can accommodate three or more passengers.*

**Note 1 Basis for Preparation of Consolidated Financial Statements**

We believe the accompanying unaudited consolidated financial statements contain all normal recurring accruals necessary for a fair presentation. Our revenues are seasonal and results for interim periods are not necessarily indicative of results for the entire year.

The interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2003.

Commencing with our annual report on Form 20-F for the year ended December 31, 2003, we changed the reporting format of our consolidated statements of operations to separately present our significant sources of revenue and their directly related variable costs and expenses. We have also separately identified certain ship operating expenses, such as payroll and related expenses and food costs. All prior periods were reclassified to conform to the current year presentation.

**Note 2 Summary of Significant Accounting Policies**

**Stock-Based Compensation**

We use the intrinsic value method to account for stock-based employee compensation. The following table illustrates the effect on net income and earnings per share as if we had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, to such compensation (in thousands, except per share data):

	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income, as reported	\$ 122,159	\$ 55,672	\$ 218,005	\$ 108,846
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards	(2,907)	(2,497)	(4,440)	(6,226)
Pro forma net income for basic earnings per share	\$ 119,252	\$ 53,175	\$ 213,565	\$ 102,620
Earnings per share:				
Basic - as reported	\$ 0.61	\$ 0.29	\$ 1.10	\$ 0.56
Basic - pro forma	\$ 0.60	\$ 0.28	\$ 1.08	\$ 0.53
Diluted - as reported	\$ 0.59	\$ 0.28	\$ 1.05	\$ 0.56
Diluted - pro forma	\$ 0.57	\$ 0.27	\$ 1.03	\$ 0.53

**Note 3 Earnings Per Share**

A reconciliation between basic and diluted earnings per share is as follows (in thousands, except per share data):

	<b>Second Quarter Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Net income	\$ 122,159	\$ 55,672	\$ 218,005	\$ 108,846
Interest on dilutive zero coupon convertible notes	4,847		9,729	
Net income for diluted earnings per shares	\$ 127,006	\$ 55,672	\$ 227,734	\$ 108,846
Weighted-average common shares outstanding	198,786	193,158	198,106	193,093
Dilutive effect of stock options	4,114			