

ROYAL CARIBBEAN CRUISES LTD
Form 6-K
July 30, 2003

**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, 2003

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 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.

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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,	
	2003	2002	2003	2002
Revenues	\$ 905,841	\$ 821,804	\$ 1,786,005	\$ 1,621,757
Expenses				
Operating	580,466	498,865	1,133,035	1,001,503
Marketing, selling and administrative	119,457	107,271	243,441	209,347
Depreciation and amortization	88,715	85,148	177,384	167,975
	788,638	691,284	1,553,860	1,378,825
Operating Income	117,203	130,520	232,145	242,932
Other Income (Expense)				
Interest income	809	2,485	1,914	6,712
Interest expense, net of capitalized interest	(66,750)	(67,008)	(131,634)	(135,276)
Other income (expense)	4,410	703	6,421	5,145
	(61,531)	(63,820)	(123,299)	(123,419)
Net Income	\$ 55,672	\$ 66,700	\$ 108,846	\$ 119,513
Earnings Per Share:				
Basic	\$ 0.29	\$ 0.35	\$ 0.56	\$ 0.62
Diluted	\$ 0.28	\$ 0.34	\$ 0.56	\$ 0.61

	Second Quarter Ended June 30,		Six Months Ended June 30,	
	_____	_____	_____	_____
Weighted-average shares outstanding:				
Basic	193,158	192,406	193,093	192,366
Diluted	195,882	196,413	195,394	195,962

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

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ROYAL CARIBBEAN CRUISES LTD.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	As of	
	June 30, 2003	December 31, 2002
	_____	_____
	(unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 528,983	\$ 242,584
Trade and other receivables, net	106,906	79,535
Inventories	48,275	37,299
Prepaid expenses and other assets	160,152	88,325
	_____	_____
Total current assets	844,316	447,743
Property and Equipment-- at cost less accumulated depreciation and amortization	9,197,288	9,276,484
Goodwill, net	278,561	278,561
Other Assets	562,470	535,743
	_____	_____
	\$ 10,882,635	\$ 10,538,531
	_____	_____
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt	\$ 190,926	\$ 122,544
Accounts payable	167,395	171,153
Accrued expenses and other liabilities	328,454	308,281
Customer deposits	730,343	567,955
	_____	_____
Total current liabilities	1,417,118	1,169,933
Long-Term Debt	5,355,912	5,322,294

For the month of July, 2003

	As of	
Other Long-Term Liabilities	18,266	11,610
Commitments and Contingencies (Note 6)		
Shareholders' Equity		
Common stock (\$.01 par value; 500,000,000 shares authorized; 193,373,157 and 192,982,513 shares issued)	1,934	1,930
Paid-in capital	2,058,359	2,053,649
Retained earnings	2,041,215	1,982,580
Accumulated other comprehensive (loss) income	(2,731)	3,693
Treasury stock (536,040 and 515,868 common shares at cost)	(7,438)	(7,158)
Total shareholders' equity	4,091,339	4,034,694
	\$ 10,882,635	\$ 10,538,531

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

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ROYAL CARIBBEAN CRUISES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	Six Months Ended June 30,	
	2003	2002
OPERATING ACTIVITIES		
Net income	\$ 108,846	\$ 119,513
Adjustments:		
Depreciation and amortization	177,384	167,975
Accretion of original issue discount	24,139	23,071
Changes in operating assets and liabilities:		
Increase in trade and other receivables, net	(17,406)	(15,318)
(Increase) decrease in inventories	(10,976)	70
Increase in prepaid expenses and other assets	(18,985)	(24,303)
(Decrease) increase in accounts payable	(3,758)	16,143
Decrease in accrued expenses and other liabilities	(23,207)	(29,242)
Increase in customer deposits	162,388	233,325
Other, net	(7,558)	7,627
Net cash provided by operating activities	390,867	498,861
INVESTING ACTIVITIES		
Purchases of property and equipment	(98,108)	(200,666)
Other, net	(22,688)	(5,265)
Net cash used in investing activities	(120,796)	(205,931)
FINANCING ACTIVITIES		
Repayments of long-term debt, net	(169,672)	(398,824)

For the month of July, 2003

	Six Months Ended	
Net proceeds from issuance of debt	244,910	--
Dividends	(50,211)	(50,018)
Other, net	(8,699)	22,598
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	16,328	(426,244)
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	286,399	(133,314)
Cash and Cash Equivalents at Beginning of Period	242,584	727,178
	<hr/>	<hr/>
Cash and Cash Equivalents at End of Period	\$ 528,983	\$ 593,864
	<hr/>	<hr/>
Supplemental Disclosures		
Cash paid during the year for:		
Interest, net of amount capitalized	\$ 111,887	\$ 117,978
	<hr/>	<hr/>
Noncash investing and financing activities:		
Acquisition of vessel through debt	\$ --	\$ 319,951
	<hr/>	<hr/>

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

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ROYAL CARIBBEAN CRUISES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

As used in this document, the terms Royal Caribbean, 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 2002.

Note 2 Summary of Significant Accounting Policies

Accounting Pronouncements

In November 2002, the Financial Accounting Standards Board issued Interpretation (FIN) No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantors, Including Indirect Guarantees of Indebtedness of Others. FIN No. 45 requires recognition of an initial liability for the fair value of the guarantor s obligation upon issuance of certain guarantees. Disclosure requirements have been expanded to include information about each guarantee, even if the likelihood of any required payment is remote. We adopted the disclosure requirements of FIN No. 45 as of December 31, 2002. On January 1, 2003, we adopted the initial recognition and measurement provisions which are effective on a prospective basis for guarantees issued or modified after December 31, 2002. The implementation of FIN No. 45 had no impact on our results of operations or financial position at adoption or during the six months ended June 30, 2003.

In January 2003, the Financial Accounting Standards Board issued FIN No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51. FIN No. 46 requires consolidation of variable interest entities by the primary beneficiary if certain criteria are met. FIN No. 46 is effective immediately for variable interest entities created or acquired after January 31, 2003. For pre-existing variable interest entities, disclosure requirements are effective immediately and consolidation provisions are effective for our third quarter of 2003. We have evaluated our joint ventures, minority interests in affiliates and other arrangements to determine if they are variable interest entities. One of our minority interests, a ship repair facility in which we invested in April 2001, is a variable interest entity under FIN No. 46; however, we are not the primary beneficiary of this entity and accordingly will not consolidate this entity. As of June 30, 2003, our investment in this entity including equity and loans, which is also our maximum exposure to loss, was approximately \$43.0 million.

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In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies accounting and reporting for derivative instruments. In particular, this statement amends certain other pronouncements and clarifies the circumstances under which a contract with an initial net investment meets the characteristics of a derivative and when a derivative contains a financing component. The provisions of SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003. The implementation of SFAS No. 149 is not expected to have an impact on our results of operations or financial position.

In May 2003, the Financial Accounting Standards Board issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 establishes standards to classify and measure certain financial instruments as liabilities which, under previous guidance, were classified as equity. The provisions of SFAS No. 150 are effective immediately for financial instruments entered into or modified after May 31, 2003 and are effective at the beginning of our third quarter of 2003 for all other financial instruments. The implementation of SFAS No. 150 had no impact on our results of operations or financial position.

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 SFAS 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,	
	2003	2002	2003	2002
Net income, as reported	\$ 55,672	\$ 66,700	\$ 108,846	\$ 119,513
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards	(2,497)	(5,333)	(6,226)	(11,480)
Pro forma net income	\$ 53,175	\$ 61,367	\$ 102,620	\$ 108,033

Stock-Based Compensation

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	Second Quarter Ended June 30,		Six Months Ended June 30,	
Earnings per share:				
Basic - as reported	\$ 0.29	\$ 0.35	\$ 0.56	\$ 0.62
Basic - pro forma	\$ 0.28	\$ 0.32	\$ 0.53	\$ 0.56
Diluted - as reported	\$ 0.28	\$ 0.34	\$ 0.56	\$ 0.61
Diluted - pro forma	\$ 0.27	\$ 0.31	\$ 0.53	\$ 0.55

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Note 3 Earnings Per Share

Below is a reconciliation between basic and diluted earnings per share (in thousands, except per share data):

	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net income	\$ 55,672	\$ 66,700	\$108,846	\$119,513
Weighted-average common shares outstanding	193,158	192,406	193,093	192,366
Dilutive effect of stock options	2,724	4,007	2,301	3,596
Diluted weighted-average shares outstanding	195,882	196,413	195,394	195,962
Basic earnings per share	\$ 0.29	\$ 0.35	\$ 0.56	\$ 0.62
Diluted earnings per share	\$ 0.28	\$ 0.34	\$ 0.56	\$ 0.61

Our diluted earnings per share computation for the second quarters and six months ended June 30, 2003 and 2002 did not include 17.7 million and 13.8 million shares of our common stock issuable upon conversion of our Liquid Yield Option Notes and Zero Coupon Convertible Notes, respectively, as our common stock was not issuable under the contingent conversion provisions of these debt instruments. Options to purchase 8.6 million and 6.4 million shares for the second quarters of 2003 and 2002, respectively, and 8.8 million and 6.7 million for the first six months of 2003 and 2002, respectively, were not included in the computation of diluted earnings per share because the effect of including them would have been antidilutive.

Note 4 Long-Term Debt

In May 2003, we completed a public offering of \$250.0 million, 8.0% senior unsecured notes, due 2010 at a price of 99.339% of par. Net proceeds of \$244.9 million will be used for general corporate purposes, including capital expenditures.

In March 2003, we replaced our \$1.0 billion unsecured revolving credit facility due June 2003 with a \$500.0 million unsecured revolving credit facility bearing interest at LIBOR plus 1.75% due in March 2008. The commitment fee is 0.6% on the undrawn portion of the credit facility. The interest rate and the commitment fee vary with our debt rating. The covenants are substantially the same as our previous revolving credit facility. The proceeds of the credit facility may be used for general corporate purposes, including capital expenditures. (See Note 8 Subsequent Events.)

Note 5 Shareholders Equity

During each of the quarters ended March 31, 2003 and 2002 and June 30, 2003 and 2002, we declared cash dividends on common shares of \$0.13 per share.

Note 6 Commitments and Contingencies

Capital Expenditures. As of June 30, 2003, we had three ships on order for an additional capacity of 7,338 berths. The aggregate contract price of the three ships, which excludes capitalized interest and other ancillary costs, is approximately \$1.3 billion, of which we have deposited \$0.2 billion as of June 30, 2003. We anticipate that overall capital expenditures will be approximately \$1.1 billion, \$0.5 billion and \$0.1 billion for 2003, 2004 and 2005, respectively. (See Note 8 Subsequent Events and Management's Discussion and Analysis Future Commitments.)

Litigation. We are routinely involved in claims typical within the cruise industry. The majority of these claims is covered by insurance. We believe the outcome of such claims, net of expected insurance recoveries, is not expected to have a material adverse effect upon our financial condition or results of operations.

Other. Some of the contracts that we enter into include indemnification provisions that obligate us to make payments to the counterparty if certain events occur. These contingencies generally relate to changes in taxes, increased lender capital costs and other similar costs. The indemnification clauses are often standard contractual terms and were entered into in the normal course of business. There are no stated or notional amounts included in the indemnification clauses and we are not able to estimate the maximum potential amount of future payments, if any, under these indemnification clauses. We have not been required to make any payments under such indemnification clauses in the past and, under current circumstances, we do not believe an indemnification is probable.

In addition, under the *Brilliance of the Seas* long-term operating lease, we have agreed to indemnify the lessor to the extent its after-tax return is negatively impacted by unfavorable changes in corporate tax rates and capital allowance deductions. These indemnifications could result in an increase in our lease payments. We are unable to estimate the maximum potential increase in such lease payments due to the various circumstances, timing or combination of events that could trigger such indemnifications. Under current circumstances we do not believe an indemnification is probable.

As of June 30, 2003, we have future commitments to pay for our usage of certain port facilities, maintenance contracts and communication services as follows (in thousands):

<u>Year</u>	
2003	\$ 22,658
2004	43,411
2005	33,253
2006	31,443
2007	29,716
Thereafter	164,295
	\$324,776

Note 7 Comprehensive Income

Comprehensive income includes net income and changes in the fair value of derivative instruments that qualify as cash flow hedges. The cumulative changes in fair value of the derivatives are deferred and recorded as a component of accumulated other comprehensive income until the hedged transactions are realized and recognized in earnings.

	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net income	\$ 55,672	\$66,700	\$ 108,846	\$119,513
Changes related to cash flow derivative hedges	(4,627)	6,781	(6,424)	21,834
Total comprehensive income	\$ 51,045	\$73,481	\$ 102,422	\$141,347

Note 8--Subsequent Events

In July 2003, the commitment amount under our \$500.0 million unsecured revolving credit facility was increased to \$550.0 million. The other terms of the facility were unchanged.

We have cancelled an 11 night sailing in the third quarter of 2003 due to the unanticipated drydock of one ship.

On July 30, 2003, we took delivery of *Serenade of the Seas*, a Radiance-class ship with 2,112 berths, for the Royal Caribbean International fleet and made a final payment to the shipyard of \$347.3 million.

ROYAL CARIBBEAN CRUISES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements under this caption Management's Discussion and Analysis of Financial Condition and Results of Operations, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. Forward-looking statements do not guarantee future performance and may involve risks, uncertainties and other factors which could cause our actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in those forward-looking statements. Examples of these risks, uncertainties and other factors include, but are not limited to:

- general economic and business conditions,
- vacation industry competition, including cruise industry competition,
- changes in vacation industry capacity, including cruise capacity,
- the impact of tax laws and regulations affecting our business or our principal shareholders,

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- the impact of changes in other laws and regulations affecting our business,
- the impact of pending or threatened litigation,
- the delivery of scheduled new ships,
- emergency ship repairs,
- incidents involving cruise ships at sea or in port,
- reduced consumer demand for cruises as a result of any number of reasons, including armed conflict, terrorist attacks, geo-political and economic uncertainties or the unavailability of air service,
- changes in interest rates or oil prices, and
- weather.

The above examples are not exhaustive and new risks emerge from time to time. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This report should be read in conjunction with our annual report on Form 20-F for the year ended December 31, 2002.

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Results of Operations

The following table presents operating data as a percentage of revenues:

	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenues	100.0%	100.0%	100.0%	100.0%
Expenses:				
Operating	64.1	60.7	63.5	61.8
Marketing, selling and administrative	13.2	13.0	13.6	12.9
Depreciation and amortization	9.8	10.4	9.9	10.3
	12.9	15.9	13.0	15.0
Operating Income	12.9	15.9	13.0	15.0
Other Income (Expense)	(6.8)	(7.8)	(6.9)	(7.6)
	6.1%	8.1%	6.1%	7.4%
Net Income	6.1%	8.1%	6.1%	7.4%

Our revenues are seasonal based on the demand for cruises. Demand is strongest for cruises during the summer months.

Unaudited selected statistical information is shown in the following table:

Second Quarter Ended June 30,	Six Months Ended June 30,
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	2003	2002	2003	2002
Passengers Carried	703,443	656,149	1,399,613	1,330,320
Passenger Cruise Days (a)	4,809,952	4,273,498	9,553,116	8,618,300
Available Passenger Cruise Days (b)	4,726,704	4,092,996	9,390,296	8,275,316
Occupancy Percentage (c)	101.8%	104.4%	101.7%	104.1%

- (a) Represents the number of passengers carried for the period multiplied by the number of days of their respective cruises.
 (b) Represents double occupancy per cabin multiplied by the number of cruise days for the period.
 (c) In accordance with cruise industry practice, occupancy percentage is calculated by dividing passenger cruise days by available passenger cruise days. A percentage in excess of 100% indicates that more than two passengers occupied some cabins.

Revenues

Revenues for the second quarter of 2003 were \$905.8 million, up 10.2% from \$821.8 million for the same period in 2002. The increase in revenues was primarily due to an increase in capacity of 15.5%, partially offset by a 4.6% decline in gross yields. Gross yields represent revenues per available passenger cruise day. The increase in capacity was primarily associated with the additions of *Constellation*, *Brilliance of the Seas* and *Navigator of the Seas* in 2002. The decrease in gross yields was primarily associated with lower cruise ticket prices and occupancy levels attributed to consumer apprehension towards travel prior to and during the war in Iraq and continued economic uncertainty, partially offset by an increase in shipboard revenues. Occupancy for the second quarter of 2003 was 101.8% compared to 104.4% for the same period in 2002.

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Net yields for the second quarter of 2003 decreased 4.8% from the same period in 2002. The decline was due to lower cruise ticket prices and occupancy levels as a result of the war in Iraq and economic uncertainty. Net yields represent revenues less costs of air transportation, travel agent commissions and certain other direct costs (all of which are included in operating expenses) per available passenger cruise day. Such costs were \$209.2 million and \$188.4 million for the second quarters of 2003 and 2002, respectively.

Revenues for the first six months of 2003 were \$1.8 billion, up 10.1% from \$1.6 billion for the same period in 2002. The increase in revenues was primarily due to an increase in capacity of 13.5%, partially offset by a 2.9% decline in gross yields. The increase in capacity was primarily associated with the additions of *Constellation*, *Brilliance of the Seas* and *Navigator of the Seas* in 2002, partially offset by the transfer of *Viking Serenade* to Island Cruises, our joint venture with First Choice Holidays PLC, in 2002. The decrease in gross yields was primarily associated with lower cruise ticket prices and occupancy levels attributed to the war in Iraq and economic uncertainty, as well as a lower percentage of passengers who chose to book their air passage through us, partially offset by an increase in shipboard revenues. Occupancy for the first six months of 2003 was 101.7% compared to 104.1% for the same period in 2002.

Net yields for the first six months of 2003 decreased 0.6% from the same period in 2002. The decline was due to lower cruise ticket prices and occupancy levels as a result of the war in Iraq and economic uncertainty, offset by lower net yields in the first quarter of 2002 due to bookings lost after the events of September 11, 2001. Costs of air transportation, travel agent commissions and certain other direct costs, which are deducted from revenues to arrive at net yields, were \$397.8 million and \$391.3 million for the first six months of 2003 and 2002, respectively.

Bookings continue to come closer to the sailing date and visibility remains limited making forecasting net yield performance more difficult than in prior years. For the third quarter of 2003, we expect net yields to be down approximately 2% to 4% from the same period in 2002. For the fourth quarter, we expect net yields to be relatively unchanged to slightly lower from the same period in 2002. For the full year, we expect net yields to be down in the range of 1% to 2%.

We have cancelled an 11 night sailing due to the unanticipated drydock of one ship, which we estimate will negatively impact net income for the third quarter of 2003 by approximately \$0.04 to \$0.05 per share.

Expenses

Operating expenses increased 16.4% to \$580.5 million for the second quarter of 2003 compared to \$498.9 million for the same period in 2002 and increased 13.1% to \$1.1 billion for the first six months of 2003 compared to \$1.0 billion for the same period in 2002. The increases for the second quarter and the first six months of 2003 were primarily due to costs associated with increases in capacity, fuel costs and the *Brilliance of the Seas* lease. The increase for the first six months of 2003 was partially offset by a decrease in air transportation costs associated with a decline in the percentage of passengers who chose to book their air passage through us. The percentage dropped from 17.2% in the first six months of 2002 to 15.1% for the same period in 2003. Fuel costs as a percentage of revenues were 5.1% and 4.5% for the second quarters of 2003 and 2002, respectively, and 5.4% and 4.2% for the first six months of 2003 and 2002, respectively. Operating costs per available passenger cruise day increased 0.8% for the second quarter of 2003 and declined 0.3% for the first six months of 2003 when compared to the same periods in 2002.

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Marketing, selling and administrative expenses increased 11.4% to \$119.5 million for the second quarter of 2003 from \$107.3 million for the same period in 2002 and increased 16.3% to \$243.4 million for the first six months of 2003 from \$209.3 million for the same period in 2002. The increases were primarily attributable to new initiatives associated with the Celebrity Cruises marketing campaign. In addition, the second quarter and six months of 2002 reflected lower spending levels as a result of business decisions taken subsequent to the events of September 11, 2001. Marketing, selling and administrative expenses as a percentage of revenues were 13.2% and 13.0% for the second quarters of 2003 and 2002, respectively, and 13.6% and 12.9% for the first six months of 2003 and 2002, respectively. On a per available passenger cruise day basis, marketing, selling and administrative expenses decreased 3.6% for the second quarter of 2003 and increased 2.5% for the first six months of 2003 when compared to the same periods in 2002.

Running expenses (i.e., those expenses directly associated with ship operations, defined as operating expenses less costs deducted to arrive at net yields) and marketing, selling and administrative expenses per available passenger cruise day increased 1.7% and 5.2% in the second quarter and first six months of 2003, respectively, compared to the same periods in 2002. The increases were primarily attributed to higher fuel costs and the *Brilliance of the Seas* lease payments.

We estimate running expenses and marketing, selling and administrative expenses on a per available passenger cruise day basis will be relatively unchanged to slightly higher in the second half of 2003 as compared to the second half of 2002. For the full year 2003, we estimate these expenses on a per available passenger cruise day basis will increase in the range of 2% to 3%.

Depreciation and amortization increased 4.2% to \$88.7 million for the second quarter of 2003 from \$85.1 million for the same period in 2002 and increased 5.6% to \$177.4 million for the first six months of 2003 from \$168.0 million for the same period in 2002. The increases were primarily due to incremental depreciation associated with the addition of new ships.

Other Income (Expense)

Gross interest expense, excluding capitalized interest, was \$71.0 million in the second quarter of 2003, compared to \$73.5 million for the same period in 2002, and \$139.7 million for the first six months of 2003 compared to \$147.7 million for the same period in 2002. The decrease in gross interest expense for the second quarter and the first six months of 2003 was attributable to lower interest rates and a lower average debt level. Capitalized interest decreased to \$4.3 million in the second quarter of 2003 from \$6.5 million in 2002 and decreased to \$8.0 million for the first six months of 2003 from \$12.5 million for the same period in 2002, due to a lower average level of investment in ships under construction and lower interest rates.

Included in other income (expense) for the first six months of 2003 and 2002 were \$10.5 million and \$9.7 million, respectively, of dividend income from our investment in convertible preferred stock of First Choice Holidays PLC, partially offset by \$1.4 million and \$5.3 million, respectively, of losses from affiliated operations as well as other miscellaneous items.

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Liquidity and Capital Resources

Sources and Uses of Cash

Net cash provided by operating activities was \$390.9 million for the first six months of 2003 compared to \$498.9 million for the same period in 2002. The decrease was primarily due to the timing of cash receipts related to customer deposits. Customer deposits during the first six months of 2003 grew at a rate considerably lower than the same period in 2002 due to the fact customer deposits at the end of 2001 were unusually low as a result of cancellations and low booking activity following the events of September 11, 2001.

Our capital expenditures were \$98.1 million for the first six months of 2003 compared to \$520.6 million for the same period in 2002. Capital expenditures for the first six months of 2003 were primarily related to ships under construction. Capital expenditures for the first six months of 2002 were primarily for the delivery of *Constellation* and ships under construction.

During the first six months of 2003, we paid quarterly cash dividends on our common stock of \$50.2 million. In May 2003, we received net proceeds of \$244.9 million from the issuance of senior unsecured notes due in 2010.

Capitalized interest decreased to \$8.0 million for the first six months of 2003 from \$12.5 million for the same period in 2002. The decrease was primarily due to a lower average level of investment in ships under construction and lower interest rates.

Future Commitments

With delivery of *Serenade of the Seas*, we have two ships on order for an additional capacity of 5,226 berths. The aggregate contract price of the two ships, which excludes capitalized interest and other ancillary costs, is approximately \$0.9 billion, of which we have deposited \$0.2 billion as of June 30, 2003. We anticipate that overall capital expenditures will be approximately \$1.1 billion, \$0.5 billion and \$0.1 billion for 2003, 2004 and 2005, respectively.

We have options to purchase two additional Radiance-class ships with delivery dates in the fourth quarters of 2005 and 2006. The options have an aggregate contract price of \$0.8 billion and expire on September 19, 2003. Under the terms of the options, the shipyard has the ability to terminate them upon providing us advance notice.

We have entered into an agreement with a shipyard providing us with an option to purchase up to two Ultra-Voyager ships for delivery in 2006 and 2007, subject to certain conditions. The options have a contract price of approximately 0.6 billion euros each.

As of June 30, 2003, we had \$5.5 billion of long-term debt of which \$0.2 billion is due during the 12-month period ending June 30, 2004.

We have future commitments to pay for our usage of certain port facilities, maintenance contracts and communication services aggregating to \$324.8 million, due through 2029. (See Note 6 Commitments and Contingencies.)

Some of the contracts that we enter into include indemnification provisions that obligate us to make payments to the counterparty if certain events occur. These contingencies generally relate to changes in taxes, increased lender capital costs and other similar costs. The indemnification clauses are often standard contractual terms and were entered into in the normal course of business. There are no stated or notional amounts included in the indemnification clauses and we are not able to estimate the maximum potential amount of future payments, if any, under these indemnification clauses. We have not been required to make any payments under such indemnification clauses in the past and, under current circumstances, we do not believe an indemnification is probable.

In addition, under the *Brilliance of the Seas* long-term operating lease, we have agreed to indemnify the lessor to the extent its after-tax return is negatively impacted by unfavorable changes in corporate tax rates and capital allowance deductions. These

indemnifications could result in an increase in our lease payments. We are unable to estimate the maximum potential increase in such lease payments due to the various circumstances, timing or combination of events that could trigger such indemnifications. Under current circumstances we do not believe an indemnification is probable.

As a normal part of our business, depending on market conditions, pricing and our overall growth strategy, we continuously consider opportunities to enter into contracts for the building of additional ships. We may also consider the sale of ships. We continuously consider potential acquisitions and strategic alliances. If any of these were to occur, they would be financed through the incurrence of additional indebtedness, the issuance of additional shares of equity securities or through cash flows from operations.

Funding Sources

As of June 30, 2003, our liquidity was \$1.0 billion consisting of approximately \$529.0 million in cash and cash equivalents and \$500.0 million available under our \$500.0 million unsecured revolving credit facility. (See Note 4 Long-Term Debt.) In July 2003, the commitment amount under our \$500.0 million unsecured revolving credit facility was increased to \$550.0 million. The other terms of the facility were unchanged. In addition, we have a commitment for export financing for up to 80% of the contract price of *Jewel of the Seas* not to exceed \$312.0 million.

On July 30, 2003, we took delivery of *Serenade of the Seas* and made a final payment to the shipyard of \$347.3 million from available cash.

Capital expenditures and scheduled debt payments will be funded through a combination of cash flows from operations, drawdowns under our available credit facilities, the incurrence of additional indebtedness and the sales of equity or debt securities in private or public securities markets. Geo-political and economic uncertainties coupled with market volatility have adversely impacted terms and availability of financing in the financial markets, and it is indeterminable how long this situation will continue. Therefore, there can be no assurances that cash flows from operations and additional financing from external sources will be available in accordance with our expectations.

Our financing agreements contain covenants that require us, among other things, to maintain minimum liquidity, net worth and fixed charge coverage ratio and limit our debt to capital ratio. We are in compliance with all covenants as of June 30, 2003.

We believe our availability under current existing credit facilities, cash flows from operations and our ability to obtain new borrowings and/or raise new capital will be sufficient to fund operations, debt payment requirements and capital expenditures over the next 12-month period.

Controls and Procedures

We carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Acting Chief Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report and concluded that those controls and procedures were effective.

There were no changes in our internal control over financial reporting identified in connection with the evaluation referred to in the preceding paragraph that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We have designed our disclosure controls and procedures to provide a reasonable level of assurance of reaching our desired control objectives. We believe our disclosure controls and procedures are effective in reaching that level of assurance. However, in designing and evaluating the disclosure controls and procedures, we recognize that many controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that our controls will succeed in achieving their stated goals under all possible conditions.

INCORPORATION BY REFERENCE

This report on Form 6-K is hereby incorporated by reference in registrant's Registration Statement on Form F-3 (File No. 333-56058) filed with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ROYAL CARIBBEAN CRUISES LTD.
(Registrant)

/S/ BONNIE S. BIUMI

Bonnie S. Biumi
Acting Chief Financial Officer

Date: July 30, 2003

CERTIFICATIONS

I, Richard D. Fain, certify that:

1. I have reviewed this report on Form 6-K of Royal Caribbean Cruises Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its

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consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2003

/S/ RICHARD D. FAIN

Richard D. Fain
Chief Executive Officer

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CERTIFICATIONS

I, Bonnie S. Biumi, certify that:

1. I have reviewed this report on Form 6-K of Royal Caribbean Cruises Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its

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consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2003

/S/BONNIE S. BIUMI

Bonnie S. Biumi
Acting Chief Financial Officer

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Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Dear Ladies and Gentlemen:

Richard D. Fain, the Chief Executive Officer and Bonnie S. Biumi, Acting Chief Financial Officer, of Royal Caribbean Cruises Ltd. (the Company) each certifies to his or her knowledge as follows with respect to the Company's Quarterly Financial Report for the Second Quarter of 2003 to which this letter is attached (the Report):

- 1. the Report fully complies with the applicable reporting requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- 2. the information contained in the Report fairly presents in all material respect the financial condition and results of operations of the Company.

/S/ RICHARD D. FAIN

Richard D. Fain
Chief Executive Officer

/S/ BONNIE S. BIUMI

Bonnie S. Biumi
Acting Chief Financial Officer