



IRISH CONTINENTAL GROUP

PRELIMINARY STATEMENT

6 Months to 30 June 2004

Key Points

	30 June 2004	30 June 2003
Turnover	€135.8m	€136.9m
EBITDA	€16.4m	€18.2m
EBIT	€4.2m	€5.5m
EPS	5.1 cent	5.3 cent
Premium on redemption of redeemable shares	8.625 cent	7.5 cent
Net Debt	€127.0m	€125.0m*
Share Buybacks	€6.4m	€7.9m

*at 31 December 2003

Comment

In comment, Chairman, John McGuckian said,

"Despite a challenging environment we have achieved EPS broadly in line with the previous year. As is normal the bulk of our earnings are generated in the summer and trading to date in the peak season has been encouraging with growth in both car and freight volumes. The successful negotiation of new rosters with our seagoing employees is a positive development going forward. Although the first half of the year has been more difficult than we had anticipated, based on summer trading we remain cautiously optimistic on the outlook for the year as a whole"

PRELIMINARY STATEMENT OF RESULTS FOR THE SIX MONTHS TO 30TH JUNE 2004

RESULTS

The Board of Irish Continental Group, plc (ICG), reports that in the seasonally less significant first half of the year, the Group recorded EPS of 5.1 cent compared with 5.3 cent in the corresponding period in 2003. Turnover for the half year was €135.8 million (2003: €136.9 million restated for FRS5). There was an operating profit of €4.2 million, compared with €5.5 million in the same period in 2003. The interest charge fell from €3.6 million to €2.8 million resulting in profit before tax of €1.4 million compared with €1.9 million in the first half of 2003. The tax charge was €0.2 million (2003: €0.6 million).

The Board has now decided to redeem one redeemable share per ICG unit for a cash consideration of 8.625cent per redeemable share. This will be paid on 5 November 2004 to shareholders on the register at 8 October 2004. Accordingly no interim dividend will be paid. The consideration per redeemable share represents an increase of 15% on the interim redemption premium of 7.5 cent paid last year.

OPERATIONAL REVIEW

Ferries and Travel Division

The division comprises Irish Ferries, a leading provider of ferry services between Ireland and both the UK and Continental Europe, Tara Travel, a travel services company specialising in travel to Ireland, and the chartering of multipurpose ferries to third parties.

Turnover in the division was €71.5 million (2003: €71.9 million). Operating profit in the division was €3.8 million (€3.6 million in 2003).

Irish Ferries' core tourist business is car tourism and total cars carried were 165,000 (2003: 174,000). Total passenger numbers were affected by a decline in the foot passenger market and we recorded an 8% drop in overall passengers to 691,000.

Internet sales continue to develop strongly and our year-to-date bookings on the web are up over 40% on the previous year. Internet bookings now account for 36% of passenger bookings.

In the Roll on Roll off freight market we continue to grow, with our volumes up 6% to 100,000 units. There have been a number of developments in the competitive environment in the RoRo sector. One competitor on the long routes from Ireland to the UK has finally emerged from bankruptcy protection, while another competitor, also on the long routes, has closed the Dublin-Mostyn route. This reinforces ICG's strategy of concentrating capital on the short routes where maximum utilisation of assets can be achieved.

We have concluded the process of consultation with our workforce with the aim of generating cost savings to reflect the competitive environment in which we are operating. The process is designed to bring our labour costs into line with those of our competitors who have had the benefit of lower wage inflation rates than Ireland's over the last number of years. Tangible benefits will be achieved in the second half of the year through changes in work practices and further benefits will be achieved through new roster arrangements.

Arising from the sustained rise in world oil prices we have reluctantly introduced fuel surcharges with effect from July. If fuel prices return to their lower historical levels these surcharges will be removed.

In ship chartering both the *Pride of Bilbao* and *Pride of Cherbourg* (formerly *Isle of Innisfree*) remain on charter to P&O, servicing their Spanish and French destinations from Portsmouth.

Container and Terminal Division

The division includes our intermodal freight services Eucon, Feederlink and Eurofeeders as well as our strategically located container terminal in Dublin, DFT.

Turnover in the division was €64.7 million (2003: €65.0 million). Operating profit was €0.4 million compared with €1.9 million in 2003. The main reason for the decline in profits was the substantial delay in the opening of our terminal extension in Dublin Port. The commissioning of our new terminal in DFT, which was planned for early in the year, was delayed until June 2004 by external circumstances leading to substantial additional costs and lost revenue. This terminal is now fully operational and will benefit the second half of the year.

Total containers shipped were up 7% to 252,000 teu.

The competitive environment remains challenging, with freight rates, particularly for eastbound (i.e. export) cargo from Ireland, at substantially lower levels than last year. Some increases have been achieved in westbound rates but these remain inadequate.

FINANCE

Depreciation and amortisation in the half year was €12.2 million (2003: €12.7 million), while EBITDA for the 6 months amounted to €16.4 million (€18.2 million in 2003). Cash flow from operations rose to €21.1 million from €18.8 million in the corresponding period in 2003. Capital expenditure in the period was €8.3 million (2003: €9.7 million), principally maintenance capital expenditure on our vessels and investment in information technology.

During the period the Group purchased 0.5 million shares for a total expenditure of €6.4 million. This brings the number of shares in issue to 23.5 million compared with 24.0 million at 30th June 2003.

The average interest cost in the period was 4.4% compared with 4.6% in the first half of 2003. Net debt at the end of the period amounted to €127.0 million. This compares with €125 million at 31 December 2003.

The accounting policies used in the preparation of these interim results are the same as in 2003, with the exception of the adoption of the amendment to FRS5 *Reporting the substance of transactions*, whereby the Group now presents turnover earned while acting in the capacity of agent on a net basis. In line with other plcs the Group will be changing to International Financial Reporting Standards (IFRS) in 2005. Further information on the impact of IFRS is set out in note 7 to the financial statements.

In 1997 a refund scheme for employer contributions of social costs (PRSI) for seafarers was introduced, bringing Ireland into line with the practice in many other EU countries. (In the UK, seafarers in international waters are effectively exempt from National Insurance). This was introduced for a four year period up to 2000 and subsequently extended up to 31 December 2003. We are in consultation with Government on an extension of the scheme which, up to now, has enabled Irish Ferries to compete with other EU flagged vessels employing crew who do not pay social charges. Our expectation is that the scheme will be renewed, enabling us to continue to compete fairly with foreign flagged competition.

OUTLOOK

The peak tourist season, which is the most important period for us, has been encouraging with our car volumes up 3.5% since 1st July, compared with the same period in 2003.

Freight volumes are also up in the second half to date by approximately 5%. The container freight market in particular remains extremely competitive.

We have successfully renegotiated the rosters of our seagoing staff which will deliver a substantial reduction in costs on the Irish Sea in the second half of the year and in subsequent years. In the increasingly competitive environment in which we are operating further cost savings will be necessary. Our DFT Terminal is now fully operational and we expect a substantial improvement in performance going forward.

At an industry level there has been a welcome reduction in capacity among the freight operators on the long sea routes. With our concentration on the more efficient short routes into Ireland we are well placed to benefit from such a capacity change and we look forward to the remainder of the year with confidence.

John B. McGuckian
Chairman
9 September 2004

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IRISH CONTINENTAL GROUP plc
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 6 months ended 30 June 2004

	Notes	6 months ended 30 June 2004 (unaudited) €m	6 months ended 30 June 2003* (unaudited) €m	12 months ended 31 Dec 2003 (audited) €m
Turnover	1	135.8	136.9	304.3
Operating costs		(131.6)	(131.4)	(275.4)
Operating profit before exceptional item		4.2	5.5	28.9
Exceptional item		-	-	(4.8)
Operating profit		4.2	5.5	24.1
Net interest payable		(2.8)	(3.6)	(6.4)
Profit on ordinary activities before taxation		1.4	1.9	17.7
Taxation		(0.2)	(0.6)	(0.3)
Profit retained for the period		1.2	1.3	17.4
Basic earnings per share	3	5.1c	5.3c	71.6c
Diluted earnings per share	3	5.0c	5.3c	71.3c
Adjusted earnings per share	3	5.1c	5.3c	91.4c
Redemption of preference shares	2	8.625c	7.5c	15.0c

* Restated following the adoption of the amendment to FRS 5 *Reporting the substance of transactions*.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 6 months ended 30 June 2004

	6 months ended 30 June 2004 (unaudited) €m	6 months ended 30 June 2003 (unaudited) €m	12 months ended 31 Dec 2003 (audited) €m
Profit attributable to shareholders of Irish Continental Group plc	1.2	1.3	17.4
Exchange translation adjustment	4.3	(5.8)	(8.9)
Total recognised gains and (losses) for the period	<u>5.5</u>	<u>(4.5)</u>	<u>8.5</u>

IRISH CONTINENTAL GROUP plc
CONSOLIDATED BALANCE SHEET
at 30 June 2004

	30 June 2004 (unaudited) €m	30 June 2003 (unaudited) €m	31 Dec 2003 (audited) €m
Fixed assets			
Tangible assets	337.4	353.8	334.5
	<u>337.4</u>	<u>353.8</u>	<u>334.5</u>
Current assets			
Stocks	1.0	0.9	0.7
Debtors	52.6	54.4	51.6
Cash at bank and in hand	16.0	12.3	12.2
	<u>69.6</u>	<u>67.6</u>	<u>64.5</u>
Creditors (Amounts falling due within one year)			
Bank loans and overdrafts	29.3	27.1	25.5
Trade and other creditors	67.1	68.0	61.2
Obligations under finance leases	4.1	3.4	3.4
Taxation and social welfare	5.7	2.8	5.5
	<u>106.2</u>	<u>101.3</u>	<u>95.6</u>
Net current liabilities	<u>(36.6)</u>	<u>(33.7)</u>	<u>(31.1)</u>
Total assets less current liabilities	<u>300.8</u>	<u>320.1</u>	<u>303.4</u>
Creditors (Amounts falling due after more than one year)			
Bank loans	100.3	125.8	98.1
Obligations under finance leases	9.3	11.8	10.2
Accruals and deferred income	11.6	8.7	11.6
	<u>121.2</u>	<u>146.3</u>	<u>119.9</u>
Capital and reserves			
Called up share capital	15.7	15.6	15.7
Share premium account	39.4	38.5	38.9
Capital reserves	0.1	0.1	0.1
Capital redemption reserve	2.1	2.1	2.1
Profit and loss account	122.3	117.5	126.7
Shareholders' funds (equity interests)	<u>179.6</u>	<u>173.8</u>	<u>183.5</u>
	<u>300.8</u>	<u>320.1</u>	<u>303.4</u>

IRISH CONTINENTAL GROUP plc
RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
for the 6 months ended 30 June 2004

	6 months ended 30 June 2004 (unaudited) €m	6 months ended 30 June 2003 (unaudited) €m	12 months ended 31 Dec 2003 (audited) €m
Total recognised gains / (losses) relating to the period	5.5	(4.5)	8.5
Capital introduced	0.5	0.3	0.7
Capital repurchased	(6.4)	(7.9)	(9.8)
Capital redeemed- premium paid on redemption	(3.5)		(1.8)
Net decrease in shareholders' funds	<u>(3.9)</u>	<u>(12.1)</u>	<u>(2.4)</u>
Shareholders' funds at beginning of period	<u>183.5</u>	<u>185.9</u>	<u>185.9</u>
Shareholders' funds at end of period	<u><u>179.6</u></u>	<u><u>173.8</u></u>	<u><u>183.5</u></u>

IRISH CONTINENTAL GROUP plc
CONSOLIDATED CASH FLOW STATEMENT
for the 6 months ended 30 June 2004

	Notes	6 months ended 30 June 2004 (unaudited) €m	6 months ended 30 June 2003 (unaudited) €m	12 months ended 31 Dec 2003 (audited) €m
Net cash inflow from operating activities	4	21.1	18.8	54.4
Servicing of finance				
Net interest paid		(2.3)	(1.9)	(6.0)
Net cash outflow from servicing of finance		(2.3)	(1.9)	(6.0)
Taxation				
Net corporation tax paid		-	-	(0.3)
Net cash outflow from taxation		-	-	(0.3)
Investing activities				
Purchase of fixed assets		(8.3)	(10.1)	(8.9)
Sale of fixed assets		0.1	0.4	0.1
Net cash outflow from investing activities		(8.2)	(9.7)	(8.8)
Equity dividends paid		-	(3.2)	(3.2)
Net cash inflow before financing		10.6	4.0	36.1
Financing				
Issue of ordinary share capital		0.5	0.3	0.7
Repurchase of ordinary share capital		(6.4)	(7.9)	(9.8)
Redemption of redeemable shares		(3.5)	-	(1.8)
Drawdown of loans		4.0	-	-
Repayment of amounts borrowed		-	-	(25.4)
Inception of finance leases		1.3	2.8	2.8
Capital element of finance lease payments		(1.6)	(1.2)	(2.5)
Net cash (outflow) from financing		(5.7)	(6.0)	(36.0)
Increase / (decrease) in cash	5	4.9	(2.0)	0.1

IRISH CONTINENTAL GROUP plc
NOTES TO THE INTERIM STATEMENT
for the 6 months ended 30 June 2004

1. Segmental information

	6 Months ended		6 Months ended		12 Months ended	
	30 June 2004		30 June 2003		31 Dec 2003	
	Turnover	Profit	Turnover	Profit	Turnover	Profit
	€m	€m	€m	€m	€m	€m
➤ Analysis by class of business						
Ferries & Travel	71.5	3.8	71.9	3.6	170.2	25.3
Container and Terminal	64.7	0.4	65.4	1.9	134.8	3.6
Intersegment	(0.4)	-	(0.4)	-	(0.7)	-
Net Interest	-	(2.8)	-	(3.6)	-	(6.4)
Exceptional items	-	-	-	-	-	(4.8)
	<u>135.8</u>	<u>1.4</u>	<u>136.9</u>	<u>1.9</u>	<u>304.3</u>	<u>17.7</u>

➤ Analysis by origin

	6 Months ended		6 Months ended		12 Months ended	
	30 June 2004		30 June 2003		31 Dec 2003	
	€m	€m	€m	€m	€m	€m
Ireland	52.5		52.7		123.8	
United Kingdom	47.1		45.8		101.9	
Continental Europe	36.2		38.4		78.6	
	<u>135.8</u>		<u>136.9</u>		<u>304.3</u>	

It is not practicable to analyse trading profit by geographical area. Turnover excludes intra Group transactions and value added tax.

In accordance with the amendment to FRS5, turnover earned by the Group while acting in the capacity of agent is now presented on a net basis. As a result of this restatement previously reported turnover and operating costs for the 6 months ended 30 June 2003 have been reduced by €8.1m. There is no effect on the gross or net profit figures.

2. Redemption of preference shares / dividend

The company has decided to redeem one redeemable share per ICG unit on 5 November 2004, to shareholders on the register at 8 October 2004, for a cash consideration of 8.625c per redeemable share (2003: 7.5c). Accordingly no interim dividend will be paid.

3. Earnings per share

The calculation of basic earnings per share is based on a profit of €1.2m (2003: profit of €1.3m) and 23.7m shares (2003: 24.6m) being the weighted average number of shares in issue during the period. Diluted earnings per share is computed in accordance with FRS14 and is based on diluted weighted average shares in issue of 23.9m (2003: 24.7m).

Adjusted earnings per share is based on profit attributable to shareholders before goodwill and exceptional items.

4. Reconciliation of operating profit to cash inflow from operating activities

	6 months ended		12 months ended
	30 June 2004	30 June 2003	31 Dec 2003
	€m	€m	€m
Operating profit	4.2	5.5	24.1
Depreciation charges	12.4	12.8	24.8
Establishment of restructuring provision	-	-	4.8
Grant amortisation	(0.2)	(0.1)	(0.3)
Loss on sale of assets	-	-	0.1
Increase in prepayment of pension contributions	(0.8)	(1.0)	(1.6)
Movement in working capital:			
(Increase) / decrease in stocks	(0.3)	(0.1)	0.1
Decrease / (increase) in debtors	0.2	(1.0)	(1.3)
Increase in creditors	5.6	2.7	3.7
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Net cash inflow from operating activities	21.1	18.8	54.4
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5. Reconciliation of net cash flow to movement in net debt

	6 months ended		12 months ended
	30 June 2004	30 June 2003	31 Dec 2003
Notes	€m	€m	€m
Increase / (decrease) in cash	4.2	(2.3)	(1.4)
Decrease in overdraft	0.7	0.3	1.5
(Increase) / decrease in debt	(3.7)	(1.6)	25.1
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Change in net debt resulting from cash flows	1.2	(3.6)	25.2
Translation adjustment	(3.2)	5.2	7.2
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Net movement	(2.0)	1.6	32.4
Opening net debt	(125.0)	(157.4)	(157.4)
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Closing net debt	(127.0)	(155.8)	(125.0)
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6. Analysis of net debt

	Cash €m	Overdrafts €m	Loans €m	Leases €m	Total €m
At 31 December 2003					
Current Assets	12.2	-	-	-	12.2
Creditors due within one year	-	(0.7)	(24.8)	(3.4)	(28.9)
Creditors due after one year	-	-	(98.1)	(10.2)	(108.3)
Cash flow	4.2	0.7	(4.0)	0.3	1.2
Foreign exchange rate changes	(0.4)	-	(2.7)	(0.1)	(3.2)
	<u>16.0</u>	<u>-</u>	<u>(129.6)</u>	<u>(13.4)</u>	<u>(127.0)</u>
At 30 June 2004					
Current Assets	16.0	-	-	-	16.0
Creditors due within one year	-	-	(29.3)	(4.1)	(33.4)
Creditors due after one year	-	-	(100.3)	(9.3)	(109.6)
	<u>16.0</u>	<u>-</u>	<u>(129.6)</u>	<u>(13.4)</u>	<u>(127.0)</u>

7. International Financial Reporting Standards / Retirement benefits

As a publicly quoted company the Group will be required to adopt International Financial Reporting Standards (IFRS) in preparing financial statements and annual reports for all accounting periods starting after 1 January 2005.

The most significant impact of this transition for the Group is in the area of accounting for retirement benefits which is governed by International Accounting Standard (IAS) 19 *Employment Benefits*. IAS 19 has not yet been adopted but the amendments proposed under the current Exposure Draft (April 2004) will allow FRS 17 *Retirement Benefits* to be used in the preparation of IFRS accounts.

In this interim statement the Group has adopted the transitional arrangements of FRS 17, which permits the accounting for such benefits to be dealt with under SSAP 24 *Accounting for Pension Costs*. The net pension credit, in respect of the Group's defined benefit pension schemes, included in operating profit in these interim results is €0.8m.

Had the interim results been prepared on the basis that will be required by FRS 17 in 2005 the net pension credit would have been €0.1m, with a charge of €1.6m to operating profit and a credit of €1.7m to other finance income.

The change from SSAP 24 to FRS 17 has no impact on cash flows. The Group reported a surplus in its pension funds of €12.4 million (net of deferred tax) at 31 December 2003.

Copies of the Interim Statement are being distributed to all shareholders. Copies may be obtained from the registered office of the Company, Ferryport, Alexandra Road, Dublin 1, or at www.icg.ie.
