



IRISH CONTINENTAL GROUP

PRELIMINARY STATEMENT OF RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2005

Key Points

•	Fundamental restructuring of vessel crewing costs achieved
•	Substantial / (20%) reduction in future labour costs in a full year
•	Business refocused in light of competitive conditions
•	Strong operating cash flow / minimal capex requirement
•	Freight business remains strong / passenger market competitive

Financial Highlights	2005	2004
Turnover	€298.7 million	€293.3 million
EBITDA*	€46.7 million	€49.4 million
Profit from operations*	€19.0 million	€23.3 million
Restructuring Charge	€29.1 million	€12.4 million
Adjusted EPS*	57.9 cent	76.2 cent
Basic EPS	(66.9) cent	23.4 cent
Equity	€138.9 million	€151.1 million
Net Debt	€105.9 million	€117.9 million
* pre restructuring charge		

Comment

In comment, Chairman, John B. McGuckian stated,

"ICG has taken resolute action to reduce costs in the increasingly competitive market place in which we operate. This required us to take difficult steps to outsource our vessels' crewing. This has resulted in exceptional voluntary severance charges of €29.1 million. There has been some loss of revenue through industrial action but we are confident we have taken a major step forward in reducing our cost base, which underpins our ability to serve our customer base and which will give us the ability to compete effectively in 2006 and beyond".



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RESULTS

Irish Continental Group plc ("ICG" or the "Group") today reports its results for the year to 31 December 2005. These are the first full year's results to be reported under International Financial Reporting Standards ("IFRS"). The results are significantly influenced by the costs of implementing our restructuring programme and the loss of revenue arising from the resultant industrial dispute in December 2005.

Turnover for the year amounted to €298.7 million (2004: €293.3 million). EBITDA, before restructuring charges was €46.7 million (2004: €49.4 million) while trading profit before restructuring charges amounted to €19.0 million (2004: €23.3 million). Adjusted EPS (i.e. before restructuring charges) amounted to 57.9 cent (2004: 76.2 cent). Group wide fuel costs were substantially higher in the year at €29.2 million (2004: €20.3 million).

The net interest charge was €4.7 million (2004: €5.4 million).

There were exceptional restructuring charges of €29.1 million (2004: €12.4 million) comprising the severance cost in respect of the crews of the Irish Sea vessels who elected to leave under the voluntary severance and outsourcing programme and related ancillary costs (stated net). The Group's vessels are now primarily crewed by a third party manning agency at significantly lower cost.

Basic EPS, after taking account of such exceptional charges, was a loss of 66.9 cent (2004: earnings of 23.4 cent).

REDEMPTION

The board has decided to redeem one Redeemable Share per ICG unit for a cash consideration of 19.2 cent per Redeemable Share. In November 2005 the Board redeemed one Redeemable Share per ICG unit for a consideration of 9.91875 cent per Redeemable Share. This represents a total payment to shareholders of 29.11875 cent.

Payment will be made on 26 May 2006 to Shareholders on the Company's register on 28 April 2006.

FERRIES DIVISION

The Ferries division comprises Irish Ferries, the leading ferry operator to and from the Republic of Ireland, the Group's ship chartering activities and holiday services.

Turnover in the division was €162.7 million (2004: €164.3 million) while profit from operations, before restructuring charges, was €14.8 million (2004: €20.8 million). Restructuring charges relating to the outsourcing of crewing at Irish Ferries amounted to €29.1 million. Fuel costs in the division rose 44% to €18.7 million.

Passenger Revenue

Overall passenger numbers were affected by difficult market conditions and by the effects of the industrial dispute in November / December. Market conditions reflected significant additional airline competition, including low cost carriers, particularly to regional airports in Ireland. We estimate that the overall car market into the Republic of Ireland declined by around 9%.

Our passenger numbers fell 6.6% to 1.49 million while car numbers fell by 4.5% to 366,000. The total number of sailings operated fell by 1.6% to 4,587.

Freight Revenue

In the Roll on Roll off freight market we achieved an increase of 3.0% to 210,000 freight vehicles carried. The freight market continues to grow in volume terms reflecting the buoyant economic backdrop, although there is a growing imbalance between the volume of imports and exports to and from Ireland. Pricing remains competitive as shippers continually try to reduce their transport costs.

Restructuring of Crew Costs

During the year we incurred significantly higher fuel charges, up €5.7 million. This, combined with prevailing competitive market conditions required us to focus our attentions on cost reductions with the principal controllable item being crew costs on our Irish Sea vessels.

Historically the company had directly employed its seafaring staff in line with traditional practice. Given the changes to the marketplace, which has seen the advent of low fare air travel and greenfield ferry competition using agency crew, we decided that, in order to survive, the Group would have to restructure its crewing to prevailing market levels. A voluntary severance package was offered to existing staff, on extremely generous terms, resulting in 90% of those staff electing to leave the Company. The remaining staff are to be accommodated within the new agency structure. The total restructuring cost is €29.1 million which has been taken as a charge in the 2005 financial year. Staff have left on a phased basis during the first three months of this year, as and when replacement crew have been trained. There was some disruption to services in November / December 2005 as industrial action took place but this was resolved by agreement on 14 December 2005.

A total of 500 staff have applied for the severance programme from a total Group employment of 1,055 at the end of 2005. The target is to reduce aggregate payroll costs within the group by approximately 20% on a full year basis from the current €57m p.a. . Separately, in early 2006, we announced a reduction in the schedule of our fast craft Jonathan Swift from 3 round trips to 2 round trips a day on the Dublin-Holyhead route. This will lead to substantial savings in fuel and other operational costs. This reduction in frequency will be kept under review in the light of market conditions.

Information Technology

We have invested significantly during the year in Information Technology. In December we rolled out a new freight reservations system, "Freightengine", while in early 2006 we launched "Ferryres", our new passenger reservations system developed in conjunction with Anite Travel Systems. Both systems enhance flexibility and will drive down distribution costs while improving customer service. Internet sales continue to develop strongly and now represent over 40% of our passenger sales.

Chartering

Both the Pride of Bilbao and Pride of Cherbourg remained on charter to P&O during the year. P&O sub-chartered the Pride of Cherbourg during the year and the vessel is now named "Challenger" and trading in New Zealand. Both charters to P&O are firm until 2007, with charterer's options to extend beyond that date.

CONTAINER AND TERMINAL DIVISION

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

Turnover in the division was €136.4 million compared with €129.8 million in 2004 while profit from operations was €4.2 million (2004: €2.5 million). Fuel costs within the division were up 44% at €10.5 million while vessel charter costs also rose, by 15% to €30.6 million.

Overall container volumes shipped fell by 8.2% to 460,000 teu while units handled at our owned terminal in Dublin, DFT, rose 7.1% to 156,000 lifts. The opening of the Dublin Port Tunnel, scheduled for later in 2006, will enhance access to DFT significantly, by linking Dublin Port, which handles 55% of Ireland's imports and 80% of the country's exports, to the M1 motorway to the North and the M50 orbital motorway.

FINANCE

EBITDA before restructuring charges for the year was €46.7 million (2004: €49.4 million). Our net interest payments were €4.9 million and tax payments amounted to €1.7 million. Capital expenditure was €13.5 million while restructuring payments (including those provided for in 2004) totalled €6.0 million.

We returned €6.3 million to shareholders via redemption of redeemable shares (2004: €5.5 million).

Net debt at year end was down to €105.9 million (2004: €117.9 million).

Group return on average capital employed (before restructuring charges) was 7.4% for the year, compared with 8.2% in 2004.

With regard to pensions there was a net surplus of €7.4 million in the Group's defined benefit schemes at 31 December 2005 compared with a net deficit of €1.9 million the previous year. Some ships officers employed in the Group are members of the Merchant Navy Officers Pension Fund (MNOFF), a defined benefit multi employer plan, which is in deficit. The Group feels that insufficient information is available on an ongoing basis to account for the scheme as a defined benefit scheme and therefore will continue to account for it as a defined contribution scheme. The trustees of the MNOFF scheme have advised that the Group's share of the deficit in the scheme as at 31 December 2005 is €4.3 million and this amount has been provided for in the current year.

IFRS

As required by the EU these results are reported in accordance with International Financial Reporting Standards (IFRS) rather than GAAP. Information on the transition to IFRS was issued on 6 July 2005.

CURRENT TRADING

The markets in which we operate, passenger and freight transport, remain extremely competitive. We now have a restructured cost base with which to compete vigorously.

In the freight markets, both RoRo and LoLo, increased prices are necessary to reflect the increasing external costs such as fuel, ship chartering and port costs.

While trading in the seasonally weaker early months of the year is not significant in the context of performance of the year as a whole, trading in the first eight weeks of the year has been satisfactory. We look forward to the remainder of the year with confidence.

John B. McGuckian,
Chairman,
March 6th 2006

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Consolidated Income Statement for the year ended 31 December 2005			
	Notes	Year ended 31 December 2005	Year ended 31 December 2004
		€m	€m
Continuing operations			
Revenue		298.7	293.3
Depreciation & amortisation		(27.8)	(26.3)
Employee benefit expense		(57.2)	(58.4)
Other operating expenses		(194.7)	(185.3)
Trading profit		19.0	23.3
Restructuring costs	2	(29.1)	(12.4)
(Loss) / profit from operations		(10.1)	10.9
Investment income		1.0	0.9
Finance costs		(5.7)	(6.3)
(Loss) / profit before tax		(14.8)	5.5
Income tax expense		(0.8)	-
(Loss) / profit for the year: all attributable to equity holders of the parent		(15.6)	5.5
(Loss) / earnings per share: all from continuing operations	4		
Basic		(66.9) cents	23.4 cents
Diluted		-	23.3 cents

Consolidated Balance Sheet at 31 December 2005		
	31 December 2005	31 December 2004
	€m	€m
Assets		
Non current assets		
Property, plant and equipment	287.8	295.1
Intangible assets	3.3	2.5
Long term receivable	4.9	3.6
Retirement benefit surplus	8.0	2.8
	304.0	304.0
Current assets		
Inventories	0.6	0.6
Trade and other receivables	37.6	42.5
Cash and cash equivalents	14.0	9.2
	52.2	52.3
Total assets	356.2	356.3
Equity and liabilities		
<i>Capital and reserves</i>		
Share capital	15.8	15.8
Share premium	39.6	39.6
Capital reserves	2.2	2.2
Share options reserve	0.1	-
Hedging reserve	(0.1)	-
Translation reserve	3.6	(2.2)
Retained earnings	77.7	95.7
Equity attributable to equity holders of the parent	138.9	151.1
<i>Non-current liabilities</i>		
Bank loans	99.4	92.3
Obligations under finance leases	5.3	8.5
Trade and other payables	3.7	-
Retirement benefit obligation	0.6	4.7
Deferred tax liabilities	4.9	5.1
Long term provisions	2.1	1.8
Derivative financial instruments	0.1	-
	116.1	112.4
<i>Current liabilities</i>		
Bank overdrafts and loans	11.7	22.0
Obligations under finance leases	3.5	4.3
Trade and other payables	47.5	54.2
Current tax liabilities	4.8	5.5
Short term provisions	33.7	6.8
	101.2	92.8
Total liabilities	217.3	205.2
Total equity and liabilities	356.2	356.3

Consolidated Statement of Recognised Income and Expense for the year ended 31 December 2005		
	Year ended	Year ended
	31 December	31 December
	2005	2004
	€m	€m
Exchange differences on translation of foreign operations	5.8	(2.2)
Actuarial gains / (losses) on retirement obligations	3.9	(14.3)
(Loss) /profit for the year	(15.6)	5.5
Total recognised income and expense for the year: all attributable to equity holders of the parent – decrease in retained earnings	(5.9)	(11.0)

Consolidated Cashflow Statement for the year ended 31 December 2005		
	Year ended	Year ended
	31 December	31 December
	2005	2004
	€m	€m
Operating activities		
(Loss) /profit for the year	(15.6)	5.5
Adjustments for:		
Finance costs (net)	4.7	5.4
Income tax expense	0.8	-
Retirement benefit obligations - service cost	2.0	2.5
Retirement benefit obligations - payments	(2.0)	(0.4)
Depreciation of property, plant and equipment	27.0	25.8
Amortisation of intangible assets	0.8	0.5
Amortisation of deferred income	(0.1)	(0.2)
Share-based payment expense	0.1	-
Gain on disposal of property, plant and equipment	(0.5)	(0.1)
Increase / (decrease) in restructuring provision	33.0	(0.3)
Decrease in other provisions	(5.6)	(0.4)
Operating cash flows before movements in working capital	44.6	38.3
Increase in inventories	-	0.1
(Increase) / decrease in receivables	(2.4)	5.7
Decrease in payables	(2.9)	(5.0)
Increase in deferred income	-	0.3
Cash generated from operations	39.3	39.4
Income taxes paid	(1.7)	(0.5)
Interest paid	(5.9)	(6.9)
Net cash from operating activities	31.7	32.0

Consolidated Cashflow Statement for the year ended 31 December 2005 (continued)		
	Year ended	Year ended
	31 December	31 December
	2005	2004
	€m	€m
Investing activities		
Interest received	1.0	0.6
Proceeds on disposal of property, plant and equipment	0.6	0.2
Purchases of property, plant and equipment	(11.9)	(10.8)
Purchases of intangible assets	(1.6)	(2.7)
Net cash used in investing activities	(11.9)	(12.7)
Financing activities		
Proceeds on issue of ordinary share capital	-	0.8
Redemption of redeemable shares	(6.3)	(5.5)
Repurchase of own shares	-	(7.9)
Repayments of borrowings	(77.9)	(25.0)
Repayments of obligations under finance leases	(4.3)	(3.8)
New bank loans raised	71.8	17.0
New finance leases raised	0.2	3.0
Decrease in bank overdrafts	(0.2)	(0.4)
Net cash used in financing activities	(16.7)	(21.8)
Net increase / (decrease) in cash and cash equivalents	3.1	(2.5)
Cash and cash equivalents at the beginning of the year	9.2	12.2
Effect of foreign exchange rate changes	1.7	(0.5)
Cash and cash equivalents at the end of the year	14.0	9.2
Bank balances and cash		

**Notes to the consolidated financial statements
for the year ended 31 December 2005**

1. Segmental information

Analysis by class of business	Turnover		Profit Before Tax		Net Assets	
	2005	2004	2005	2004	2005	2004
	€m	€m	€m	€m	€m	€m
Ferries and Travel	162.7	164.3	14.8	20.8	249.5	244.5
Container and Terminal	136.4	129.8	4.2	2.5	32.3	31.0
Intersegment turnover	(0.4)	(0.8)	-	-	-	-
	298.7	293.3	19.0	23.3	281.8	275.5
Restructuring	-	-	(29.1)	(12.4)	-	-
Net interest/debt	-	-	(4.7)	(5.4)	(105.9)	(117.9)
Unallocated liabilities	-	-	-	-	(37.0)	(8.8)
Construction in progress	-	-	-	-	-	2.3
	298.7	293.3	(14.8)	5.5	138.9	151.1
Analysis by origin	2005	2004				
	€m	€m				
Ireland	124.7	123.3				
United Kingdom	92.5	93.4				
Continental Europe	81.5	76.6				
	298.7	293.3				

2. Restructuring costs

	Year ended	Year ended
	31 December	31 December
	2005	2004
	€m	€m
Restructuring costs	29.1	12.4

In 2005 a decision was taken to restructure the crewing arrangements on the Irish Sea routes. Consequently a voluntary redundancy package was offered to all relevant staff. The charge to the income statement represents the cost of the severance package (€32.9 million), legal and other fees (€1.6 million), and the curtailment effect on the Group sponsored retirement benefit scheme €5.4 million).

In 2004 a charge of €12.4 million was recognised in the income statement in respect of changes in the crewing arrangements on the Ireland-France ferry route and associated redundancy costs; changes in work practices in the Container & Terminal division including the termination of maintenance contracts and related redundancy payments; and provision for impairment of assets following a decision to close the remaining UK travel agency shops.

3. Redemption of redeemable shares

The directors have decided to redeem one redeemable share per ICG share unit on 26 May 2006, in respect of shareholders on the register at 28 April 2006, for a cash consideration of 19.2 cent per redeemable share. Accordingly no dividend will be paid.

4. (Loss) / earnings per share – all from continuing operations

The calculation of basic loss per share of 66.9 cent (2004: earnings per share of 23.4 cent) is based on a loss after tax of €15.6 million (2004: profit of €5.5 million) and 23.3 million shares (2004: 23.5 million) being the weighted average number of shares in issue during the period.

Adjusted earnings per share of 57.9 cent (2004: 76.2 cent) is based on profit attributable to shareholders before restructuring costs.

5. Reconciliation of movement in retained earnings

	€m
Balance at 1 January 2005	95.7
Redemption of redeemable shares	(6.3)
Recognised expense for the year attributable to equity holders of the parent	(5.9)
Translation adjustment recognised in translation reserve	(5.8)
Balance at 31 December 2005	77.7

6. Reconciliation of net cash flow to movement in net debt

	Year ended 31 December 2005 €m	Year ended 31 December 2004 €m
Increase / (decrease) in cash	3.1	(2.5)
Decrease in overdraft	0.2	0.4
Decrease in debt	10.2	8.8
Change in net debt resulting from cash flows	13.5	6.7
Translation adjustment	(1.5)	0.4
Net movement	12.0	7.1
Opening net debt	(117.9)	(125.0)
Closing net debt	(105.9)	(117.9)

7. Analysis of net debt

	Cash	Over-drafts	Bank loans	Leases	Total
	€m	€m	€m	€m	€m
At 1 January 2005					
Current assets	9.2	-	-	-	9.2
Current liabilities	-	(0.3)	(21.7)	(4.3)	(26.3)
Non current liabilities	-	-	(92.3)	(8.5)	(100.8)
Cash (inflow) / outflow from financing	3.1	0.2	6.1	4.1	13.5
Foreign exchange rate changes	1.7	-	(3.1)	(0.1)	(1.5)
At 31 December 2005	14.0	(0.1)	(111.0)	(8.8)	(105.9)
Analysed as:					
Current assets	14.0	-	-	-	14.0
Current liabilities	-	(0.1)	(11.6)	(3.5)	(15.2)
Non current liabilities	-	-	(99.4)	(5.3)	(104.7)
At 31 December 2005	14.0	(0.1)	(111.0)	(8.8)	(105.9)