



IRISH CONTINENTAL GROUP



INTERIM REPORT 2006

STATEMENT OF RESULTS FOR THE SIX MONTHS TO 30TH JUNE 2006

Highlights

| | 2006 | 2005 | % |
|---------------------------------|---------|---------|------|
| Financial | | | |
| Revenue | €141.9m | €139.6m | +2% |
| EBITDA | €18.5m | €17.1m | +8% |
| Profit from operations | €5.5m | €4.3m | +28% |
| EPS | 10.6 c | 6.4c | +66% |
| Operational | | | |
| Sailings | | | |
| Fast Ferry | 570 | 800 | -29% |
| Conventional | 1,513 | 1,506 | - |
| | 2,083 | 2,306 | -10% |
| Passengers Carried (000) | 598 | 670 | -11% |
| Cars Carried (000) | 145 | 162 | -10% |
| Freight Vehicles (000) | 110 | 107 | +3% |
| Containers Shipped (000 teu) | 227 | 229 | -1% |
| Containers Handled at DFT (000) | 79 | 78 | +1% |

Irish Continental Group is a shipping, transport and leisure group principally engaged in the transport of passengers and cars, roll-on roll-off freight and container lift-on lift-off freight on routes between Ireland, the UK and Continental Europe. The Group also offers travel and holiday packages primarily in France, Britain and Ireland.

RESULTS

The Board of Irish Continental Group plc (ICG) reports that, in the seasonally less significant first half of the year, the Group recorded EBITDA of €18.5 million compared with €17.1 million in the same period in 2005. Revenue for the half year was €141.9 million (2005: €139.6 million). Profit from operations was €5.5 million, compared with €4.3 million in the same period in 2005. Finance costs were up slightly at €2.8 million. Profit before tax was €2.7 million compared with €1.7 million in the first half of 2005. The tax charge was €0.2 million (2005: €0.2 million). EPS was 10.6c compared with 6.4c in 2005.

The Board has now decided to redeem one redeemable share per ICG unit for a cash consideration of 10.92c per redeemable share. This will be paid on 27 October 2006 to shareholders on the register at 13 October 2006. The consideration per redeemable share represents an increase of 10% on the interim redemption premium of 9.91875c paid last year.



OPERATIONAL REVIEW

Ferries Division

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

Revenue in the division was €72.3 million (2005: €72.5 million). Profit from operations was €4.3 million (2005: €2.3 million).

Irish Ferries' core tourist business is car tourism and this market has been affected by substantial additional airline competition in recent years. We have reduced frequency of our fast ferry from three to two round trips a day. This represents a reduction of frequency for passengers (but not freight) of 10%. Our total cars carried were down 10% at 145,000 (2005: 162,000), which is in line with our reduction in capacity. Total passenger numbers were down 11%. The overall roll-on roll-off freight market continues to develop and we also continue to grow, with our volumes up 3% to 110,000 units. (There was no reduction in

frequency in our conventional vessels). Our initiative to reduce our crewing costs to internationally competitive levels generated savings in line with expectations in the half year. Fuel costs remained high and were €2 million more in Irish Ferries than in the same period last year, although we are recovering a substantial portion of the increase via surcharges.

In ship chartering the Pride of Bilbao remains on charter to P&O, servicing their Spanish route from Portsmouth while the former Pride of Cherbourg has been subchartered by P&O, ultimately to Toll Shipping Pty, for service in New Zealand.

Restructuring

During the half year we completed the restructuring of our crewing arrangements. Our vessels are now principally crewed by third party crewing agencies at internationally competitive cost levels. The severance costs involved on this amounted to a net €29.1 million, which was taken as an exceptional charge against the 2005

results. The figure is net of a rebate of the statutory redundancy element of the severance package of €4.1 million. Application has been made to the appropriate authorities for the refund of this rebate.

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 €70.2 million (2005: €67.5 million). Profit from operations was €1.2 million compared with €2.0 million in 2005. Additional fuel costs of €2.0 million and €1.8 million in higher ship charter costs were incurred in the division.

Total containers shipped on continuing routes were down 1% at 227,000 teu., while the number of units lifted at our stevedoring facility in Dublin (DFT) was up 1% at 79,000 lifts.



FINANCE

Depreciation and amortisation in the half year was €13.0 million (2005: €12.8 million), while EBITDA for the 6 months amounted to €18.5 million (2005: €17.1 million). Capital expenditure in the period was €8.4 million (2005: €8.7 million), mainly maintenance capital expenditure on our vessels and investment in information technology.

The average interest cost in the period was 4.6% compared with 4.4% in the first half of 2005. Net debt at the end of the period amounted to €132.4 million. This compares with €105.9 million at 31 December 2005, the increase due mainly to the severance programme.

OUTLOOK

The peak tourist season, which is the most important period for us, has followed the pattern of the first half with growth in freight but weaker car volumes, influenced by our reduction in frequency. Overall our car volumes are down 12% year to date while our roll-on roll-off freight volumes are up 3%.

New competing freight capacity coming on stream in the second half may affect our ability to grow our freight business, against a backdrop of expected market growth. Overall we expect a challenging revenue environment in the second half mitigated by the flow through of our cost savings.

John B. McGuckian
Chairman
7 September 2006



**CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

| Notes | 30 June 2006 €m | 30 June 2005 €m | 31 Dec 2005 €m |
|---|-----------------------|-----------------------|----------------------|
| Continuing operations | | | |
| Revenue | 141.9 | 139.6 | 298.7 |
| Depreciation and amortisation | (13.0) | (12.8) | (27.8) |
| Employee benefits expense | (16.9) | (27.0) | (57.2) |
| Other operating expenses | (106.5) | (95.5) | (194.7) |
| Trading profit | 5.5 | 4.3 | 19.0 |
| Restructuring costs | - | - | (29.1) |
| Operating profit / (loss) | 5.5 | 4.3 | (10.1) |
| Investment income | 0.4 | 0.3 | 1.0 |
| Finance costs | (3.2) | (2.9) | (5.7) |
| Profit / (loss) before taxation | 2.7 | 1.7 | (14.8) |
| Income tax expense | (0.2) | (0.2) | (0.8) |
| Profit / (loss) for the period: all attributable to equity holders of the parent | 2.5 | 1.5 | (15.6) |
| Earnings / (loss) per ordinary share (cent) | | | |
| All from continuing operations | | | |
| - basic | 4 | 6.4 | (66.9) |
| - diluted | 4 | 6.4 | - |

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

| | 30 June 2006 €m | 30 June 2005 €m | 31 Dec 2005 €m |
|---|-----------------------|-----------------------|----------------------|
| Exchange differences on translation of foreign operations | (2.7) | 5.3 | 5.8 |
| Actuarial gain / (loss) on retirement obligations | 4.1 | (3.1) | 3.9 |
| Profit / (loss) for the year | 2.5 | 1.5 | (15.6) |
| Total recognised income / (expense) for the period: all attributable to equity holders of the parent | 3.9 | 3.7 | (5.9) |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

| | Share Capital €m | Share Premium €m | Capital Reserve €m | Share Options Reserve €m | Hedging Reserve €m | Translation Reserve €m | Retained Earnings €m | Total €m |
|--|------------------------|------------------------|--------------------------|-----------------------------------|--------------------------|------------------------------|----------------------------|--------------|
| Balance at 1 January 2006 | 15.8 | 39.6 | 2.2 | 0.1 | (0.1) | 3.6 | 77.7 | 138.9 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | (2.7) | - | (2.7) |
| Actuarial gain on defined benefit pension schemes | - | - | - | - | - | - | 4.1 | 4.1 |
| Net expense recognised directly in equity | - | - | - | - | - | (2.7) | 4.1 | 1.4 |
| Profit for the period | - | - | - | - | - | - | 2.5 | 2.5 |
| Total recognised income and expense for the period | - | - | - | - | - | (2.7) | 6.6 | 3.9 |
| Share issue | 0.1 | - | - | - | - | - | - | 0.1 |
| Exercise of share options shares issued at premium | - | 0.8 | - | - | - | - | - | 0.8 |
| Increase in fair value of cash flow hedging derivatives | - | - | - | - | 0.5 | - | - | 0.5 |
| Redemption of redeemable share capital | - | - | - | - | - | - | (4.5) | (4.5) |
| | 0.1 | 0.8 | - | - | 0.5 | (2.7) | 2.1 | 0.8 |
| Balance at 30 June 2006 | 15.9 | 40.4 | 2.2 | 0.1 | 0.4 | 0.9 | 79.8 | 139.7 |

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2006

| Notes | 30 June 2006 €m | 30 June 2005 €m | 31 Dec 2005 €m | |
|--|-----------------------|-----------------------|----------------------|--------------|
| Assets | | | | |
| Non current assets | | | | |
| Property, plant and equipment | 5 | 279.9 | 301.4 | 287.8 |
| Intangible assets | 6 | 3.2 | 0.7 | 3.3 |
| Retirement benefit asset | | 14.3 | - | 8.0 |
| Long term receivables | | 4.8 | 4.4 | 4.9 |
| | | 302.2 | 306.5 | 304.0 |
| Current assets | | | | |
| Inventories | | 0.8 | 0.9 | 0.6 |
| Trade and other receivables | | 48.6 | 38.2 | 37.6 |
| Cash and cash equivalents | | 12.5 | 11.1 | 14.0 |
| | | 61.9 | 50.2 | 52.2 |
| Total assets | | 364.1 | 356.7 | 356.2 |
| Equity and liabilities | | | | |
| Capital and reserves | | | | |
| Share capital | | 15.9 | 15.8 | 15.8 |
| Share premium | | 40.4 | 39.6 | 39.6 |
| Capital reserves | | 2.2 | 2.2 | 2.2 |
| Share options reserve | | 0.1 | - | 0.1 |
| Hedging reserve | | 0.4 | - | (0.1) |
| Translation reserve | | 0.9 | 3.1 | 3.6 |
| Retained earnings | | 79.8 | 89.6 | 77.7 |
| Equity attributable to equity holders | | 139.7 | 150.3 | 138.9 |
| Non-current liabilities | | | | |
| Bank loans | | 124.1 | 93.7 | 99.4 |
| Obligations under finance leases | | 5.9 | 6.7 | 5.3 |
| Trade and other payables | | 3.3 | - | 3.7 |
| Derivative financial instruments | | (0.4) | - | 0.1 |
| Retirement benefit obligation | | 0.6 | 5.9 | 0.6 |
| Deferred tax liabilities | | 5.2 | 5.1 | 4.9 |
| Provisions | | 2.0 | 1.6 | 2.1 |
| | | 140.7 | 113.0 | 116.1 |
| Current liabilities | | | | |
| Trade and other payables | | 64.0 | 62.1 | 47.5 |
| Current tax liabilities | | 4.1 | 4.7 | 4.8 |
| Obligations under finance leases | | 3.3 | 4.1 | 3.5 |
| Bank overdrafts and loans | | 11.6 | 22.5 | 11.7 |
| Provisions | | 0.7 | - | 33.7 |
| | | 83.7 | 93.4 | 101.2 |
| Total liabilities | | 224.4 | 206.4 | 217.3 |
| Total equity and liabilities | | 364.1 | 356.7 | 356.2 |

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

| Notes | 30 June 2006 €m | 30 June 2005 €m | 31 Dec 2005 €m |
|--|-----------------------|-----------------------|----------------------|
| Operating activities | | | |
| Profit / (loss) for the year | 2.5 | 1.5 | (15.6) |
| Adjustments for: | | | |
| Finance costs (net) | 2.8 | 2.6 | 4.7 |
| Income tax expense | 0.2 | 0.2 | 0.8 |
| Retirement benefit obligation – service cost | (1.3) | 2.0 | 2.0 |
| Retirement benefit obligation – payments | (0.5) | (1.8) | (2.0) |
| Depreciation of property, plant and equipment | 12.6 | 13.0 | 27.0 |
| Amortisation of intangible assets | 0.5 | - | 0.8 |
| Amortisation of deferred income | (0.1) | (0.2) | (0.1) |
| Share based payment expense | - | - | 0.1 |
| Gain on disposal of property, plant and equipment | - | - | (0.5) |
| Restructuring provision created | - | - | 34.5 |
| Restructuring payments | (36.3) | (4.3) | (5.9) |
| Decrease in other provisions | - | - | (1.2) |
| Operating cash flow before movements in working capital | (19.6) | 13.0 | 44.6 |
| Increase in inventories | (0.2) | (0.3) | - |
| (Increase) / decrease in receivables | (7.7) | 4.5 | (2.4) |
| Increase / (decrease) in payables | 15.7 | 4.6 | (2.9) |
| Cash generated from operations | (11.8) | 21.8 | 39.3 |
| Income taxes paid | (1.0) | (0.9) | (1.7) |
| Interest paid | (3.0) | (2.1) | (5.9) |
| Net cash from operating activities | (15.8) | 18.8 | 31.7 |
| Investing activities | | | |
| Interest received | 0.4 | 0.3 | 1.0 |
| Proceeds on disposal of property, plant and equipment | - | 0.1 | 0.6 |
| Purchases of property, plant and equipment | (8.1) | (8.1) | (11.9) |
| Purchase of intangible assets | (0.3) | (0.6) | (1.6) |
| Net cash used in investing activities | (8.0) | (8.3) | (11.9) |

**CONSOLIDATED CASH FLOW STATEMENT (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

| Notes | 30 June 2006 €m | 30 June 2005 €m | 31 Dec 2005 €m |
|--|-----------------------|-----------------------|----------------------|
| Financing activities | | | |
| Redemption of redeemable shares | (4.5) | (4.0) | (6.3) |
| Repayments of borrowings | (18.6) | (1.0) | (77.9) |
| Repayments of obligations under finance leases | (1.8) | (2.2) | (4.3) |
| New bank loans raised | 44.7 | - | 71.8 |
| New finance leases raised | 2.2 | 0.1 | 0.2 |
| Proceeds on issue of share capital | 0.9 | - | - |
| Decrease in bank overdrafts | (0.1) | (0.3) | (0.2) |
| Net cash used in financing activities | 22.8 | (7.4) | (16.7) |
| Net (decrease) / increase in cash and cash equivalents | (1.0) | 3.1 | 3.1 |
| Cash and cash equivalents at the beginning of the year | 14.0 | 9.2 | 9.2 |
| Effect of foreign exchange rate changes | (0.5) | (1.2) | 1.7 |
| Cash and cash equivalents at the end of the year Bank balances and cash | 12.5 | 11.1 | 14.0 |

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

1. Accounting policies

These June 2006 interim consolidated financial statements are for the six months ended 30 June 2006. The interim financial report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and the accounting policies and methods of computation used in the interim financial statements are consistent with those used in the Group 2005 Annual Report, which is available at www.icg.ie.

The figures included in the financial statements for the six months ended 30 June 2006 and 30 June 2005 are unaudited. The full year figures for the twelve months ended 31 December 2005 were extracted from the audited financial statements for that year.

2. Segmental information: Analysis by class of business

| | 6 months ended 30 June 2006 | | 6 months ended 30 June 2005 | | 12 months ended 31 Dec 2005 | |
|------------------------|--------------------------------|--------------|--------------------------------|--------------|--------------------------------|---------------|
| | Revenue €m | Profit €m | Revenue €m | Profit €m | Revenue €m | Profit €m |
| Ferries & Travel | 72.3 | 4.3 | 72.5 | 2.3 | 162.7 | (14.3) |
| Container and Terminal | 70.2 | 1.2 | 67.5 | 2.0 | 136.4 | 4.2 |
| Intersegment | (0.6) | - | (0.4) | - | (0.4) | - |
| Net Interest | - | (2.8) | - | (2.6) | - | (4.7) |
| | 141.9 | 2.7 | 139.6 | 1.7 | 298.7 | (14.8) |

3. Redemptions of preference shares / dividend

The Company has decided to redeem one redeemable share per ICG unit on 27 October 2006 to shareholders on the register at 13 October 2006, for a cash consideration of 10.92c per redeemable share (2005: 9.91875c). No interim dividend will be paid.

4. Earnings / (loss) per share

| | 6 months ended 30 June 2006 | 6 months ended 30 June 2005 | 12 months ended 31 Dec 2005 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Basic earnings per share | | | |
| Earnings: profit / (loss) after tax (€m) | 2.5 | 1.5 | (15.6) |
| Weighted average shares in issue during the period (million) | 23.5 | 23.3 | 23.3 |
| Earnings / (loss) per share (cent) | 10.6 | 6.4 | (66.9) |

Diluted earnings per share

| | | | |
|---|-------------|------------|---|
| Earnings: profit after tax (€m) | 2.5 | 1.5 | - |
| Diluted weighted average shares in issue during the period (million) | 23.6 | 23.4 | - |
| Earnings per share (cent) | 10.6 | 6.4 | - |

Adjusted earnings per share - basic

| | | | |
|---|-------------|------------|-------------|
| Earnings: profit after tax before exceptional item (€m) | 2.5 | 1.5 | 13.5 |
| Weighted average shares in issue during the period (million) | 23.5 | 23.3 | 23.3 |
| Earnings per share (cent) | 10.6 | 6.4 | 57.9 |

Adjusted earnings per share - diluted

| | | | |
|---|-------------|------------|-------------|
| Earnings: profit after tax before exceptional item (€m) | 2.5 | 1.5 | 13.5 |
| Diluted weighted average shares in issue during the period (million) | 23.6 | 23.4 | 23.6 |
| Earnings per share (cent) | 10.6 | 6.4 | 57.2 |

5. Property, plant and equipment

| | Ships €m | Property €m | Plant & equipment €m | Vehicles €m | Total €m |
|---------------------------------|--------------|----------------|----------------------------|----------------|--------------|
| Cost or valuation | | | | | |
| At 1 January 2006 | 384.8 | 24.5 | 58.6 | 2.3 | 470.2 |
| Additions | 5.7 | - | 2.1 | 0.3 | 8.1 |
| Disposals | (6.7) | - | - | (0.1) | (6.8) |
| Exchange adjustment | (6.6) | - | - | - | (6.6) |
| At 30 June 2006 | 377.2 | 24.5 | 60.7 | 2.5 | 464.9 |
| Accumulated depreciation | | | | | |
| At 1 January 2006 | 136.6 | 6.9 | 37.5 | 1.4 | 182.4 |
| Charge for period | 10.5 | 0.2 | 1.7 | 0.2 | 12.6 |
| Disposals | (6.7) | - | - | (0.1) | (6.8) |
| Exchange adjustment | (3.2) | - | - | - | (3.2) |
| At 30 June 2006 | 137.2 | 7.1 | 39.2 | 1.5 | 185.0 |
| Carrying amount | | | | | |
| At 1 January 2006 | 248.2 | 17.6 | 21.1 | 0.9 | 287.8 |
| At 30 June 2006 | 240.0 | 17.4 | 21.5 | 1.0 | 279.9 |

At 30 June 2006 the Group has entered into commitments to the value of €1.3 million for the purchase of fixed assets.

6. Intangible assets

| | €m |
|------------------------|------------|
| Cost | |
| At 1 January 2006 | 6.0 |
| Additions | 0.4 |
| At 30 June 2006 | 6.4 |
| Amortisation | |
| At 1 January 2006 | 2.7 |
| Charge for the year | 0.5 |
| At 30 June 2006 | 3.2 |
| Carrying amount | |
| At 1 January 2006 | 3.3 |
| At 30 June 2006 | 3.2 |

7. Provisions

At 31 December 2005 the Group carried provisions of €35.8 million in respect of restructuring payments, claims provision and deferred grant. €33.1 million has been used in the 6 months to 30 June 2006. Accordingly at 30 June 2006 the balance on these provision stands at €2.7 million.

8. Net debt

| | Cash €m | Overdrafts €m | Loans €m | Leases €m | Total €m |
|-------------------------------|-------------|------------------|----------------|--------------|----------------|
| At 1 January 2006 | | | | | |
| Current assets | 14.0 | - | - | - | 14.0 |
| Creditors due within one year | - | (0.1) | (11.6) | (3.5) | (15.2) |
| Creditors due after one year | - | - | (99.4) | (5.3) | (104.7) |
| | 14.0 | (0.1) | (111.0) | (8.8) | (105.9) |
| Cash flow | (1.0) | 0.1 | (26.1) | (0.4) | (27.4) |
| Foreign exchange rate changes | (0.5) | - | 1.4 | - | 0.9 |
| | 12.5 | - | (135.7) | (9.2) | (132.4) |
| At 30 June 2006 | | | | | |
| Current assets | 12.5 | - | - | - | 12.5 |
| Creditors due within one year | - | - | (11.6) | (3.3) | (14.9) |
| Creditors due after one year | - | - | (124.1) | (5.9) | (130.0) |
| | 12.5 | - | (135.7) | (9.2) | (132.4) |

9. Tax

Corporation tax for the interim period is estimated based on the best estimates of the weighted average annual corporation tax rate expected to apply for the full financial year.

10. Retirement benefit schemes

Retirement benefit scheme valuations have been updated at the half year to reflect management's best estimates of scheme assets and schemes liabilities. Scheme assets have been valued as per investment managers valuations at 30 June 2006. Scheme liabilities have been estimated using the same assumptions as at 31 December 2005 except that the discount rate has been increased to 4.75% in line with the underlying long term interest rate and European AAA rated bonds.

11. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation.

12. Board approval

This interim report was approved by the Board of Directors of Irish Continental Group plc on 6 September 2006.



IRISH CONTINENTAL GROUP

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