IRISH CONTINENTAL GROUP

INTERIM MANAGEMENT STATEMENT

Highlights

- **Passenger & Freight revenue up €3.3 million**
- **Recovery in Ro Ro freight volumes**
- **Fuel cost up €2.9 million in 4 months**
- **Initiative to reduce VAT on hospitality a positive for tourism**

Volumes (Year to date, 14 May 2011)

Cars	96,700	-1.4%
Passengers	430,100	-6.5%
RoRo Freight	70,900	+11.7%
Container Freight (teu)	151,600	-2.7%
Terminal Lifts	69,900	+14.5%

Financial (January – April 2011)

	2011	**2010**	
Revenue	ú77.5m	ú75.7m	+2.4%
EBITDA	ú5.2m	ú8.0m	-35.0%
EBIT	(ú1.6m)	ú0.6m	
Profit (loss) before tax	(ú1.2m)	ú0.2m	
Net Debt	ú4.0m	ú6.3m	(31 December)

Current Trading

ICG issues this interim management statement which covers volume data up to 14 May 2011 (i.e. 19 weeks) and financial information for the first four months of the year. It should be noted that ICGôs business is significantly weighted towards the second half of the year when normally a higher proportion of the Groupôs operating profit is generated than in the first six months. Also, the comparative figures for 2010 include the period during which European airspace was closed due to volcanic ash, which had a significant positive impact on passenger volumes in particular, in 2010.

In the first four months of the year Group revenue was up 2.4% at ú77.5 million, compared with ú75.7 million in the same period last year. Passenger and freight revenue was up 4.5% while charter revenue was down ú1.4 million due to the termination of the charter of the Pride of Bilbao. Operating costs (before depreciation & amortisation) were 6.8% higher at ú72.3 million versus ú67.7 million the previous year, principally due to a 24% increase (of ú2.9 million) in fuel costs to ú15.3 million. The remaining cost increases were primarily volume-related port charges arising from increased Ro Ro freight volumes. Earnings before interest tax and depreciation (EBITDA) were ú5.2 million compared with ú8.0 million in the same period in 2010. The termination of the charter of the Pride of Bilbao resulted in a reduction in EBITDA of ú1.4 million although this was offset by depreciation savings of ú0.8 million and interest receivable of ú0.6 million. There was net interest receivable of ú0.4 million compared with a charge of ú0.3 million the previous year. The loss before interest was ú1.6million (2010 profit ú0.6 million) while the loss before tax was ú1.2 million (2010 profit ú0.2 million). Net debt at the end of April was ú4.0 million compared with ú6.3 million at 31 December 2010.

In the period up to 14 May 2011, we carried 96,700 cars, a 1.4% reduction on the same period last year. The lower volumes were compensated for by higher yields. In the previous year, we had an unprecedented increase in passengers in April due to the ash cloud disruption to air travel. Consequently while our total passenger numbers were in line with expectations at 430,100, they were 6.5% behind the same period in 2010. On a like for like basis, i.e. ignoring exceptional passenger business carried during the ash cloud, underlying passenger and car business is in line with 2010.

In the Roll on Roll off freight market, while the overall market is weaker than expected, Irish Ferries carried 70,900 units, an increase of 11.7% compared with the same period in 2010.

Container freight volumes shipped decreased by 2.7% to 151,600 teu (twenty foot equivalent units) in the period to 14 May 2011 compared with the same period last year with an increase in freight to and from Ireland offset by a reduction on the North Sea. Units handled at our terminals in Dublin and Belfast increased by 14.5% year on year, over the same period.

Outlook

The greatest threat to our financial performance this year is the very significant increase in our fuel cost, following on from the ú10 million increase in our fuel bill in 2010. We were successful last year in passing on that increase in that financial year. However given the scale of the back-to-back increase in 2011, it will be a significant challenge to pass on all of this increase in the remainder of the current financial year, if oil remains at current price levels. Notwithstanding the current difficult economic backdrop we are confident of passing on fuel cost increases through the cycle, as has been successfully proven by our business model in the past.

Container volumes, particularly on the North Sea, are seeing some reduction due to the disruption in the supply chain arising out of the earthquake in Japan.

While it is too early to predict the Summer tourism market, the reductions in VAT in the hospitality sector recently announced in the Government's jobs initiative is a positive for inward tourism which is also likely to be boosted by *Tourism Ireland's* recently announced 30% increase in its marketing budget in the UK market. The capacity reductions in the Ro Ro market and the airline sector are positive backdrops while the strength of the balance sheet is a major positive in the current market.

Dublin
17 May 2011

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