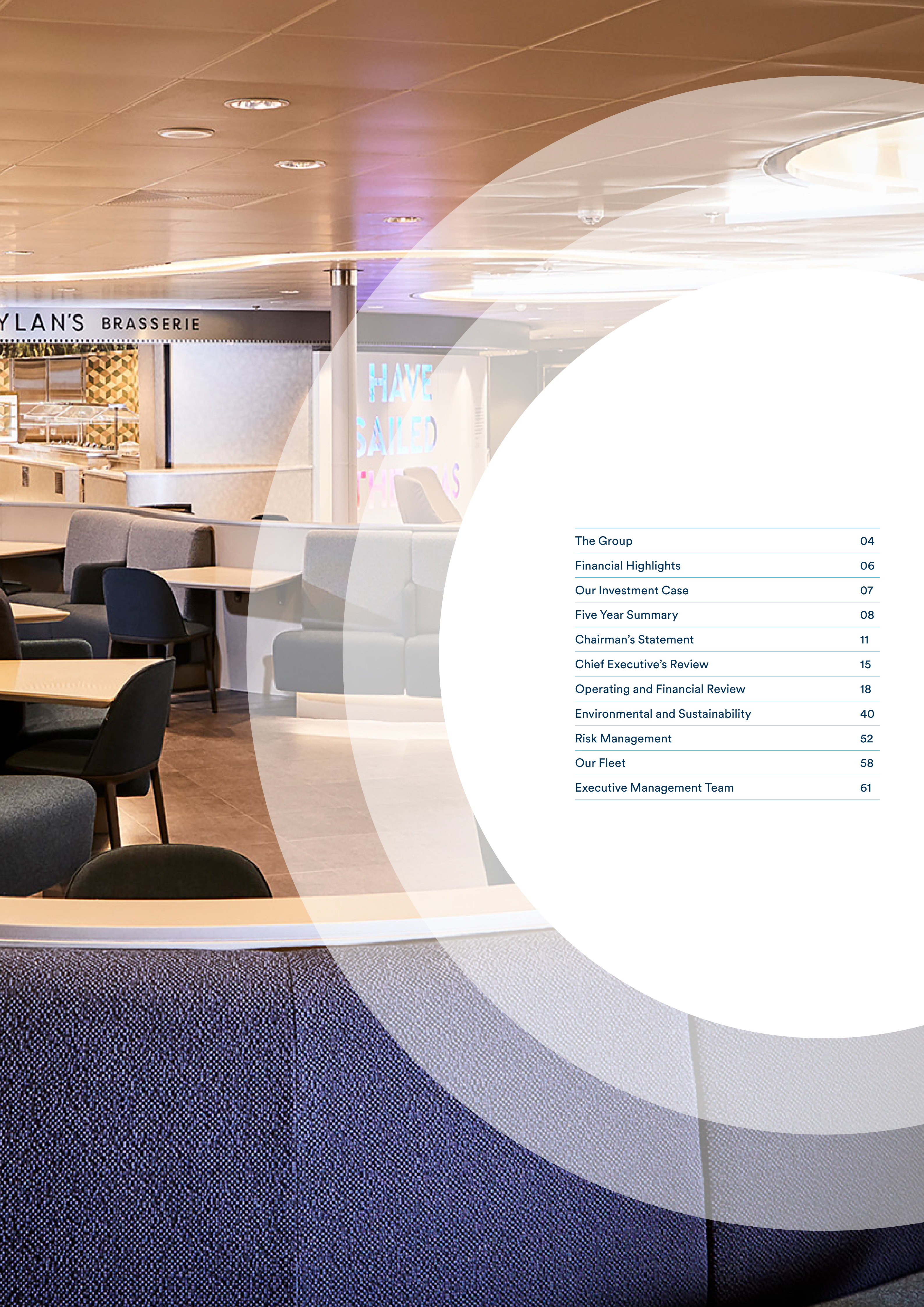
Business Review

High standard on-board experience enjoyed by our Irish Ferries customers encompasses quality food, beverage, entertainment and accommodation services. Passengers are never out of touch with free satellite wi-fi services.


BRASSERIE
HAVE
SAILED

The Group

Irish Continental Group (ICG) is the leading Irish-based maritime transport Group. We carry passengers and cars, Roll on Roll off (RoRo) freight and Container Lift on Lift off (LoLo) freight, on routes between Ireland, the United Kingdom and Continental Europe. We also operate container terminals in the ports of Dublin and Belfast. The Group also carries out ship chartering activities.

Ferries division

Modern fleet of multi-purpose ferries and LoLo container vessels operating between Ireland and the United Kingdom and Continental Europe, and on charter.

Over 1.5 million passengers carried during 2019 on up to 17 daily sailings.

Key freight positions on short sea routes between the Republic of Ireland and Britain.

Inclusive package holidays to the Republic of Ireland and Britain.

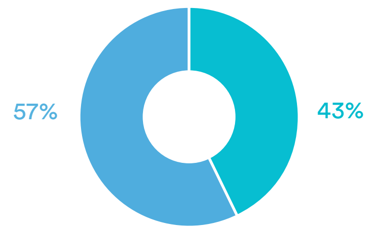
For more information see page 26.

Container and Terminal division

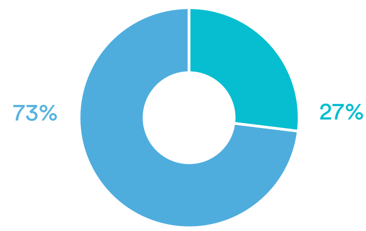
Container shipping services between Ireland and Continental Europe, operating modern fleet and equipment, as well as stevedoring and related services for container traffic at Dublin and Belfast Ports.

For more information see page 32.

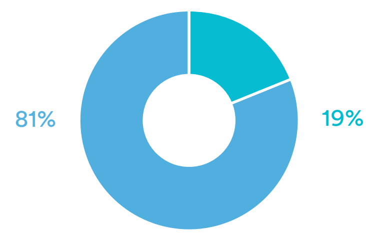
Revenue
€357.4m



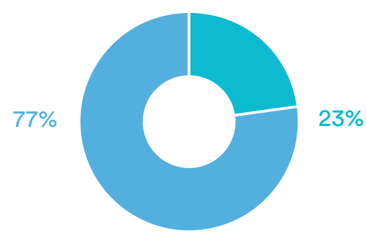
Operating Profit
€50.0m



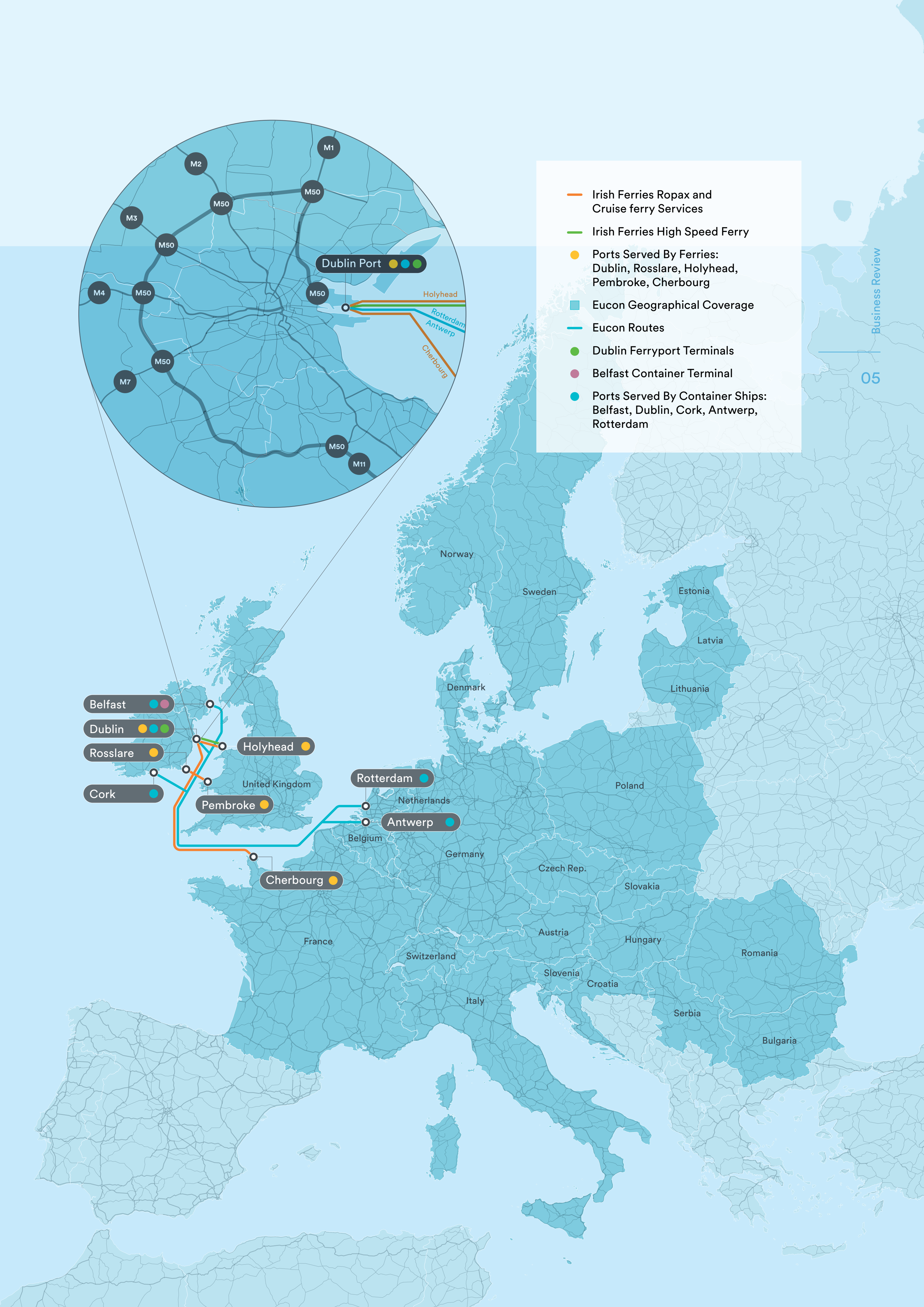
Capital Employed
€364.2m



EBITDA
€86.8m



Ferries   Container & Terminal

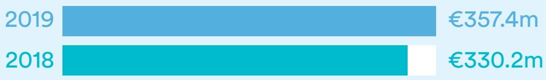

Irish Ferries Ropax and Cruise ferry Services
Irish Ferries High Speed Ferry
Ports Served By Ferries: Dublin, Rosslare, Holyhead, Pembroke, Cherbourg
Eucon Geographical Coverage
Eucon Routes
Dublin Ferryport Terminals
Belfast Container Terminal
Ports Served By Container Ships: Belfast, Dublin, Cork, Antwerp, Rotterdam
M1
M2
M3
M4
M7
M11
M50
Dublin Port
Holyhead
Rotterdam
Antwerp
Cherbourg
Belfast
Dublin
Rosslare
Cork
Holyhead
Pembroke
United Kingdom
Rotterdam
Netherlands
Antwerp
Belgium
Cherbourg
Norway
Sweden
Denmark
Estonia
Latvia
Lithuania
Poland
Germany
Czech Rep.
Slovakia
France
Switzerland
Austria
Hungary
Romania
Slovenia
Croatia
Italy
Serbia
Bulgaria

Financial Highlights

Revenue

€357.4m ▲ 8.2%

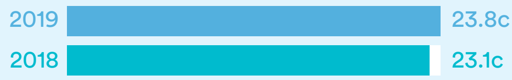
Pre IFRS 16* €357.4m ▲ 8.2%



Adjusted earnings per share*

23.8 cent ▲ 3.0%

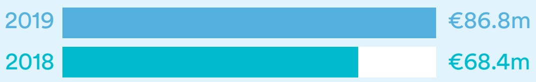
Pre IFRS 16* 23.9 cent ▲ 3.4%



EBITDA (pre non-trading items)*

€86.8m ▲ +26.9%

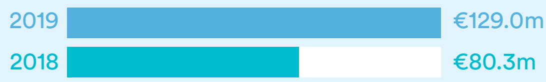
Pre IFRS 16* €77.4m ▲ 13.1%



Net debt*

€129.0m

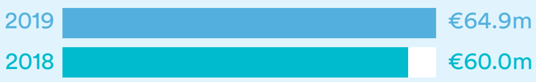
Pre IFRS 16* €93.5m



EBIT (including non-trading items)*

€64.9m ▲ 8.2%

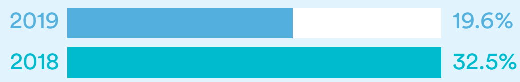
Pre IFRS 16* €64.1m ▲ 6.8%



Return on average capital employed*

19.6%

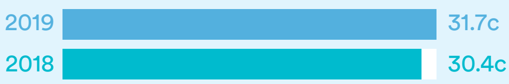
Pre IFRS 16* 20.6%



Basic earnings per share

31.7 cent ▲ 4.2%

Pre IFRS 16* 31.8 cent ▲ 4.6%



*The Group uses alternative performance measures ("APMs" which are non-IFRS measures to monitor Group performance. Definitions and reconciliation to IFRS measures are set out on pages 22 to 23.

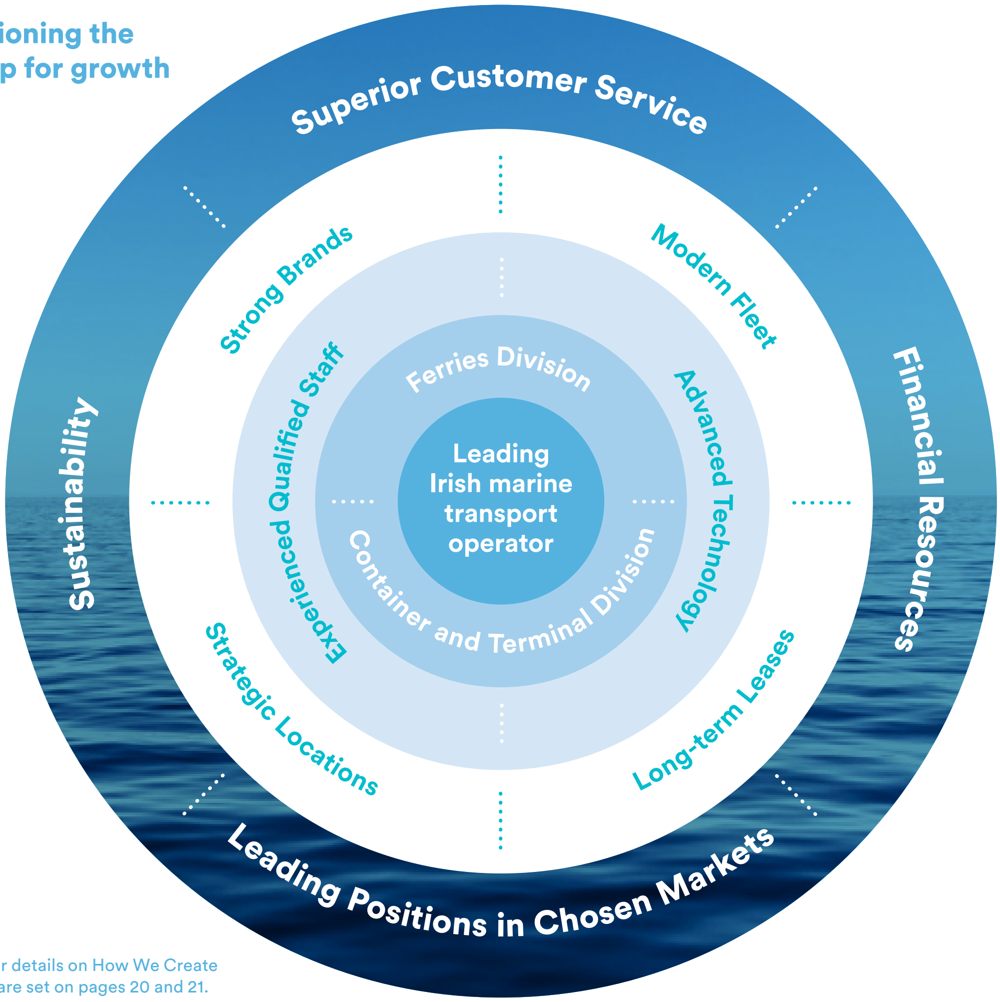
Our Investment Case

Our Purpose
To deliver continued success in our chosen markets through the provision of a safe, reliable, timely, good value and high-quality experience for all our customers in a way that minimises our impact on the environment.

We will achieve this by anticipating our customers' needs and matching their requirements with superior services through constant innovation and the rapid application of technology.

We measure our success through the quality of our service, as seen by our customers, and delivering sustained and profitable growth for the benefit of all our stakeholders.

Positioning the Group for growth



Further details on How We Create Value are set on pages 20 and 21.

Five Year Summary

Summary extract of Income Statement	2019 [3] €m	2018 €m	2017 €m	2016 €m	2015 €m
Revenue	357.4	330.2	335.1	325.4	320.6
Operating expenses and employee benefits expense	(270.6)	(261.8)	(254.1)	(241.9)	(245.1)
Depreciation and amortisation	(36.8)	(22.1)	(20.7)	(20.9)	(18.3)
	50.0	46.3	60.3	62.6	57.2
Non-trading items [1]	14.9	13.7	28.7	-	-
Interest (net)	(3.4)	(0.8)	(1.3)	(2.2)	(3.1)
Profit before taxation	61.5	59.2	87.7	60.4	54.1
Taxation	(1.3)	(1.4)	(4.4)	(1.6)	(0.4)
Profit for the year	60.2	57.8	83.3	58.8	53.7
EBITDA (pre non-trading items)	86.8	68.4	81.0	83.5	75.5
Per share information:	€cent	€cent	€cent	€cent	€cent
Earnings per share					
-Basic	31.7	30.4	44.1	31.4	28.9
-Adjusted [2]	23.8	23.1	31.0	31.4	29.1
Dividend per share	13.410	12.770	12.160	11.580	11.025
Shares in issue at year end:	m	m	m	m	m
-At year end	187.4	190.3	189.9	188.3	186.4
-Average during the year	189.8	190.0	188.8	187.5	185.8

1. Non-trading items are material non-recurring items that derive from events or transactions that fall outside the ordinary activities of the Group and which individually, or, if of a similar type, in aggregate, are separately disclosed by virtue of their size or incidence.

2. Adjusted earnings exclude pension interest and non-trading items.

3. The 2019 reported results include the effects of first time adoption of IFRS 16 Leases. Prior year figures have not been restated for the effects of IFRS 16 which was adopted with effect 1 January 2019. The effect on the Consolidated Income Statement for financial year 2019 was to decrease operating expenses by €9.4 million, increase depreciation charges by €8.6 million, increase interest expenses by €1.0 million, a net reduction in profit after tax of €0.2 million. The effect on the Consolidated Statement of Financial Position was to increase assets by €35.3 million and liabilities by €35.5 million and reduce retained earnings by €0.2 million.

Summary extract of Statement of Financial Position	2019[3] €m	2018 €m	2017 €m	2016 €m	2015 €m
Property, plant and equipment, intangible and right of use assets	353.5	308.1	250.0	205.1	170.9
Retirement benefit surplus	12.5	2.5	8.1	2.4	5.6
Other assets	225.8	203.7	135.2	84.1	67.9
Total assets	591.8	514.3	393.3	291.6	244.4
Equity capital and reserves	287.9	252.9	223.8	144.4	115.5
Retirement benefit obligation	3.7	4.2	3.4	15.9	10.7
Other non-current liabilities	229.3	205.7	51.5	5.3	60.0
Current liabilities	70.9	51.5	114.6	126.0	58.2
Total equity and liabilities	591.8	514.3	393.3	291.6	244.4
Summary extract of Consolidated Statement of Cashflows					
Net cash inflow from operating activities	84.8	61.5	71.8	82.1	68.2
Net cash (outflow)/ inflow from investing activities	(52.3)	(158.8)	27.7	(55.6)	(34.8)
Net cash (outflow)/ inflow from financing activities	(46.5)	131.4	(51.3)	(7.8)	(28.0)
Cash and cash equivalents at the beginning of the year	124.7	90.3	42.2	25.0	19.4
Effect of foreign exchange rate changes	0.2	0.3	(0.1)	(1.5)	0.2
Closing cash and cash equivalents	110.9	124.7	90.3	42.2	25.0
	€m	€m	€m	€m	€m
Net (debt)/ cash	(129.0)	(80.3)	39.6	(37.9)	(44.3)
	Times	Times	Times	Times	Times
Net debt/ EBITDA	1.5x	1.2x	N/A	0.5x	0.6x
Gearing (Net debt as a percentage of shareholders' funds)	45%	32%	N/A	26%	38%

Chairman's Statement

2019 proved to be a successful year for the Group, with growth in all of our divisions and a return to high levels of schedule integrity across the ferry fleet following our investment during 2019. Of particular importance to the long-term development of the Group, was the introduction of the new cruise ferry W.B. Yeats into service in January 2019, and the continued expansion of our owned container ship fleet.

Financial Outcome

The application of IFRS 16 effective since 1 January 2019 affects some of the financial comparatives as the 2018 reported amounts have not been restated in the financial statements. To assist assessment of underlying performance pro-forma pre IFRS 16 amounts are disclosed.

The overall financial outcome for the Group was a Profit before tax and before non-trading items of €46.6 million (€46.8 million pre-IFRS 16) (2018: €45.5 million). EBITDA generated was €86.8 million (€77.4 million pre-IFRS 16) (2018: €68.4 million) from total revenues of €357.4 million (2018: €330.2 million).

The Group performance reflected the outcome in our Ferries division where EBIT before non-trading items was €36.4 million (€36.2 million pre-IFRS 16) (2018: €34.2 million). The growth in EBIT was driven by an improved operational performance in the fleet alongside the successful introduction of the W.B. Yeats, partially offset by the increased depreciation charge in its first year of operation.

During the year, the Group purchased two additional container ships for external charter. The Thetis D was purchased in April for €12.4 million, and the CT Rotterdam was purchased in November for €8.2 million. Of our six owned LoLo container vessels, three are currently on year-long charters to the Group's container shipping subsidiary Eucon on routes between Ireland and the continent whilst two are chartered to third parties. The remaining vessel, the recently acquired CT Rotterdam is providing short term drydock cover with Eucon and will afterwards be offered for external charter. Overall external charter revenues were €4.7 million in 2019 (2018: €2.1 million).

In April 2019, the Group entered into a bareboat hire purchase agreement for the sale of the Oscar Wilde to MSC Mediterranean Shipping Company SA. Gross proceeds of €28.9 million are receivable over 6 years and a profit of €14.9 million is reported as a non-trading item.

Following the technical difficulties on the flagship Ulysses in 2018, significant works were carried out on the vessel in January 2019. I am pleased to report, the schedule integrity of the conventional ferry fleet has returned to the previous high levels achieved prior to the 2018 disruptions, improving from 90% in 2018 to 97% in 2019. As expected, this has contributed to the Group's improved financial performance in the year.

The W.B. Yeats was introduced into service in January 2019. The vessel was deployed on the Dublin – Holyhead route in the winter months and transferred to the Dublin – Cherbourg route in the summer. The first year of operation has been a success and the vessel's performance so far has exceeded our expectations.

Performance in our Container and Terminal division was improved with an EBIT of €13.6 million (€13.0 million pre IFRS 16) (2018: €12.1 million) with throughput in our terminals at Dublin and Belfast showing strong growth.

During the year the Group agreed an extension to the port operating concession agreement at Belfast. This agreement now extends to 2026 during which the port owner BHC will undertake significant investment in new port assets.

Chairman's Statement
Continued

Strategic Development
2019 has been a successful year for the strategic development of the Group. The W.B. Yeats entered service in January and we expanded our owned container vessel fleet. The Group in 2018 entered into an agreement for the construction of a second cruise ferry with a contracted delivery of late 2020. It is intended that this vessel will service the Dublin – Holyhead route alongside the existing Ulysses with the Epsilon being returned to its owners.

The Dublin Swift underwent additional works to increase car deck capacity and re-entered service in March on Dublin – Holyhead offering faster crossing times compared to conventional ferries.

The Ulysses has undergone an extensive drydock with sailing performance on the Dublin – Holyhead route returning to the previous levels of reliability. The Isle of Inishmore which operates our Rosslare – Pembroke service has also undergone additional drydock works based on learning from the Ulysses issues. The works have improved our schedule integrity in 2019. We have retained the charter of the roro vessel Epsilon which we operate on both Dublin – Holyhead and Dublin – Cherbourg pending delivery of our second new vessel scheduled for late 2020. With the full operational fleet now in position we look forward to a period of growth and additional revenue generating opportunities.

With increasing awareness of the effects of economic activity on the environment the Group is furthering its existing efforts to minimise its environmental footprint. The Group's strategy is one of minimising costs and achieving of economies of scale which very much aligns with reducing environmental impacts. The Group has and is currently undertaking significant investments all of which bring significant environmental improvements to our operations. Among the various initiatives discussed later in the Annual Report at pages 40 to 51, is an estimated €25 million investment in exhaust gas cleaning systems to significantly improve the quality of the unavoidable emissions from our vessels.

With a year end net debt of €129.0 million, 1.5 times EBITDA, available liquidity resources €201.3 million and strong cash generation the Group is actively seeking out new investment opportunities that meet the Group's stringent investment hurdles.

Exit of United Kingdom from the European Union
The UK exited the EU on 31 January and entered a transition period until latest the end of 2020 during which negotiations of new rules on trade, travel and business between the UK and the EU will take place. There is continuing uncertainty over the nature of the relationship post 2020. The Group's ferry division is highly dependent on trade flows between Ireland and the UK. Therefore any slowdown in either economy as a result of the exit of United Kingdom from the European Union will likely have an effect on Irish Ferries carryings.

The Group is happy to note that that the long standing Common Travel Area arrangements will remain allowing free movement of passengers between both jurisdictions. It is also noted that the UK have confirmed their adherence to the Convention on the Contract for the International Carriage of Goods by Road which will facilitate retention of the landbridge route through the United Kingdom.

Irish Ferries has engaged with its port operators and regulatory authorities to minimise the effect of any port disruptions on its services following the UK exit. Should port delays occur in the short-term on Irish sea services while new cross border procedures settle in, Irish Ferries deployment of the W.B. Yeats on Dublin – Cherbourg has already added significant capacity to the direct continental services. In addition due to the revised fleet configuration Irish Ferries has the ability to offer additional frequency on its direct continental services should demand justify it.

The exit of United Kingdom from the European Union is expected to have a lesser effect on our container shipping operations between Ireland and the continent. There is a risk of delays or congestion at European ports with some potential for increased flows, dependent on Irish economic growth.

Corporate Governance

The Board acknowledges the importance of good corporate governance practices. We have developed a corporate governance framework based on the application of the principles and provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex. A revised UK Corporate Governance Code was issued in July 2018 was effective for all of 2019 and the Board has reviewed its corporate governance framework in light of the revised Code. I report on this framework in the Corporate Governance Report on pages 70 to 82.

During the year, I led the annual evaluation of Board performance of which further details are set out in the Corporate Governance Report on page 77. As Chairman, I am satisfied that the Board operates effectively to ensure the long-term success of the Group and that each Director is contributing effectively and demonstrating commitment to their role.

Dividend and share buyback

During the financial year a final dividend of 8.56 cent per ICG Unit was paid for the financial year ended 31 December 2018 and also an interim dividend of 4.42 cent per ICG Unit was paid for the financial year ended 31 December 2019. The Board is proposing a final dividend of 8.99 cent per ICG Unit in respect of the financial year ended 31 December 2019.

During the year the Group also bought back 2.9 million shares which were cancelled. The total consideration paid for these shares was €12.9 million. The total amount returned to shareholders in the period between dividends and buybacks was €37.6 million.

Outlook

Since our last update to the market, in the Interim Management Statement of November 2019, trading to the end of the year was strong. For the full year 2019 the Ferries division recorded strong volume growth of 2.6% for passengers, 2.2% for cars and 10.4% for RoRo freight. In the Container & Terminal division overall container volumes shipped for the year were up 4.8%, while port lifts were up 3.5%.

In the period from 1 January 2020 to 29 February 2020, trading has been impacted by prolonged bad weather and the planned reduction in tourism capacity to facilitate the installation of exhaust gas cleaning systems on the Ulysses. In the Ferries division, the Ulysses has been replaced during the period by a freight only conventional ferry. Irish Ferries carried 27,900 cars in the period, down 8.5% on the prior year, while the number of passengers carried decreased by 0.8% to 112,400. RoRo freight carryings were not materially impacted by capacity changes and increased by 11.2% in the period to 50,700 units.

The Container and Terminal division was heavily impacted by the prolonged bad weather in the period. In the period from 1 January 2020 to 29 February 2020, overall container volumes shipped were down 9.8% and terminal volumes were down 11.6% reflecting the impact of exceptional adverse weather conditions over the last three weeks of February and stronger volumes in the prior year due to the impending exit of the UK from the EU at the time which resulted in some increased demand. Over the same period due to storms and reduced capacity, overall capacity was down 12.5% over the prior year.

Despite the uncertainty created by the exit of the UK from the EU, with our modern and flexible fleet we are well placed to target volume growth in all our markets. We look forward to building on the strategic success in 2019 with another year of volume growth across all our divisions.

We note the current and evolving COVID-19 outbreak. We continue to monitor the situation in our areas of operation and work closely with all relevant authorities.

John B. McGuckian,
Chairman

4 March 2020

Chief Executive's Review

2019 Performance

2019 was a positive year for the Group where the long-term operational and financial position continued to strengthen. This was underpinned by the introduction in January of the W.B. Yeats.

Key Financial highlights	As Reported			Pre IFRS 16	
	2019	2018	Change	2019	Change
EBITDA (pre non-trading items)	€86.8m	€68.4m	+26.9%	€77.4m	+13.1%
EBIT (pre non-trading items)	€50.0m	€46.3m	+8.0%	€49.2m	+6.2%
Return on average capital employed	19.6%	32.5%	-12.9pts	20.6%	-11.9pts
Adjusted earnings per share	23.8c	23.1c	+3.0%	23.9c	+3.4%
Free cash flow before strategic capex	€73.2m	€45.9m	+€27.3m	€64.8m	+€18.8m

* These APMs which are non-IFRS measures to monitor Group performance are defined and reconciled to IFRS measures on pages 22 to 23. Pre IFRS 16 adjusts reported amounts for the effects of IFRS 16

The Chairman in his review noted the progress we have made in the strategic development of the Group over the past twelve months. These include the introduction of the W.B. Yeats, material improvements to our schedule integrity, the expansion of our owned container fleet and the extension of the Belfast Container Terminal concession.

The performance in the Ferries division, generator of 79% of Group EBITDA, saw an underlying increase of 14.3% in EBITDA after adjusting for the effects of IFRS 16. This was primarily due to improved operational performance, the introduction of new services and expansion of the container vessel chartering activities. EBIT increased by 5.8% to €36.2 million (2018: €34.2 million), again due to the introduction of new services, improved operational performance but partially offset by increased vessel depreciation charges on the new W.B. Yeats over the 34 year old Oscar Wilde and on the increased container vessel fleet.

Performance in the Container and Terminal division continued to grow at a steady rate. EBITDA in this division increased to €16.1 million pre IFRS 16 (2018: €14.8 million) with EBIT rising 7.4% to €13.0 million pre IFRS 16 (2018: €12.1 million). This reflected increased activity in both container shipping operations in Eucon and container handling activities at our terminals in Dublin and Belfast.

Financial Position

The Group ended the year in a strong position financially with equity attributable to shareholders increasing by €35.0 million to €287.9 million. This was achieved after returning €24.7 million (2018: €23.5 million) to shareholders by way of dividend with the underlying dividend per share increasing by 5.0%. The Group also bought back 2.9 million of its own shares, equivalent to 1.5% of the issued equity at the beginning of the year, at a total consideration of €12.9 million.

Net debt at year end was €129.0 million compared to net debt of €80.3 million in the prior year. This represents a Net Debt/ EBITDA leverage of 1.5 times. The increase in the net debt during the year is mainly due to the accounting treatment under IFRS16 of right of use assets. The recognition of right of use asset lease obligations increased year end net debt by €36.0 million at the end of the year. These obligations are excluded for banking covenant purposes. Year end net debt of €129.0 million comprised gross borrowings of €203.9 million, lease obligations of €36.0 million less gross cash balances of €110.9 million.

Chief Executives Review

Continued

Strategic Performance

As Chief Executive my key responsibility is to drive future profitable and sustainable growth of the Group. I'm happy to report that on a strategic level significant progress was made during 2019 in preparing the Group for future long-term growth opportunities.

In December 2018, the Group took delivery of the W.B. Yeats which entered into service in January 2019. This was a significant step for the Group's ability to accommodate and take advantage of the long-term growth opportunities in our markets. The W.B. Yeats commenced services on the Dublin – Holyhead route in January 2019 and then transferred to the Dublin – Cherbourg route in March. This vessel offers increased levels of comfort and capacity over the 34 year old Oscar Wilde which was sold. Investment in the W.B. Yeats is key to the Group's decision to offer increased year round direct freight sailings to the continent. I am pleased to report, that the W.B. Yeats exceeded our expectations in her first year of service and successfully operated on both the Dublin – Holyhead and Dublin – Cherbourg routes.

The Group in 2018 entered into an agreement for the construction of a second cruise ferry with a contracted delivery of late 2020. It is intended that this vessel will service the Dublin – Holyhead route alongside the existing Ulysses with the Epsilon being returned to its owners. The cruise ferry will accommodate 1,800 passengers and crew, with capacity for 5,610 freight lane metres, which provides the capability to carry up to 330 freight units per sailing. Overall, it will effectively be a 50.0% increase in Irish Ferries peak freight capacity compared to the Ulysses.

The Dublin Swift replaced the Jonathan Swift on the Dublin – Holyhead fastcraft service during April 2018. The Dublin Swift operated a summer only service for the first time in 2019. The performance of the vessel was slightly below expectations, mostly due to congestion in Dublin Port which resulted in a less than optimal sailing schedule. We have amended the schedule for 2020 and will closely monitor performance.

Also in April the Group entered into a bareboat hire purchase agreement for the sale of the cruise ferry Oscar Wilde to MSC Mediterranean Shipping Company SA. The total gross consideration for the sale is €28.9 million, payable in instalments over 6 years, up to 2025. This has resulted in profit on disposal in the year of €14.9 million.

The Group's management continually seeks investment opportunities which meet the Group's stringent return hurdles both in terms of return and risk appetite a policy which is promoted at all levels within the organisation. These investments are funded through a combination of debt and cash generation from existing activities.

Strategy and the Environment

While conscious that shipping is the most environmental friendly mode of transport in terms of emissions per kilometric cargo tonne it still does have an impact on the environment. Aligned with its corporate responsibility towards the environment and to ensure compliance with new environmental regulations effective from 1 January 2020, the Board has approved an investment in exhaust gas cleaning systems on its two existing cruise ferries and four owned container vessels. This technology is already employed on the newly constructed W.B. Yeats and specified on the second new cruise ferry. The first of these systems is being installed on the Ulysses and the second is planned to be installed on Isle of Inishmore later in 2020. While offering positive environmental effects this investment is expected to lead to lower operational costs on an ongoing basis.

In our terminal operations in Dublin we have commissioned two remotely operated rubber tyred gantries (RTG) on one of our container stacks. They are successfully operating in the Dublin terminal. The Group have ordered two additional remotely operated gantries for delivery in mid 2020. Whilst improving the working conditions of the operators it also yields operational efficiencies together with improving safety aspects of terminal operations. It is expected that such equipment will become the model for future expansion of terminal operations. Also in our terminal operations we plan to

introduce a new collection management system for our contracted hauliers reducing waiting times and leading to more efficient traffic planning.

Exit of United Kingdom from the European Union

While the United Kingdom exited the EU in January 2020, we are still lacking clarity on what the future trading relationship will be post the current transition period which continues up to 31 December 2020. No matter what the immediate short term consequences may be of proposed exit of United Kingdom from the European Union, if it proceeds, it is the Group's position that Ireland as an island will continue to trade outside of its borders. Given the strong linkages between Ireland and the United Kingdom both culturally and commercially, it is the Group's view that trade between these two economies will remain robust over the longer term. However the Group's investment in vessels is designed to provide route planning flexibility to enable the Group to adapt its schedules to customer demand both over the short and long term. Should demand for the Group's existing services fall over the longer term, the vessels are capable of being deployed to most geographic areas given their design specification.

Stakeholders

The Group's performance is dependent on the support of our customers, suppliers and employees. I would like to thank all our customers for their support during the past year. We will continue to work with our customers to meet their expectations into the future.

Our suppliers are key to our ability to deliver quality services to our customers. We continually work with our suppliers whether they be port operators, contracted service providers or product suppliers to improve efficiencies and quality. We appreciate the co-operation and flexibility achieved in delivering our 24/ 7 services.

Finally, I express my gratitude to our employees. It is their knowledge and dedication to customer service that drives the future success of the Group.

Outlook

I look forward to in 2020 a continuation of the trends in 2019 that saw both operational and financial progress across all the divisions in the Group. As in prior years, we will continue to seek out improvement and investment opportunities for our longer-term success.

Eamonn Rothwell,
Chief Executive Officer

4 March 2020

Operating and Financial Review

This Operating and Financial Review provides information to shareholders and the Review should not be relied upon by any other party or for any other purpose.

The Review contains certain forward-looking statements and these statements are made by the Directors in good faith, based on the information available to them up to the time of their approval of this report. These statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This Operating and Financial Review has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Irish Continental Group plc and its subsidiaries when viewed as a whole.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Operating and Financial Review

How We Create Value

Irish Continental Group plc is a focused provider of maritime passenger and freight services with its principal operations in North West Europe. The Group operates through two divisions:

Ferries division

Principal activities include passenger and RoRo freight shipping services under the Irish Ferries brand together with ship chartering activities.

Container and Terminal division

Principal activities include LoLo shipping activities under the Eucon brand and the operation of two container terminals, Dublin Ferryport Terminals (DFT) and Belfast Container Terminal (BCT), within the two main ports on the island of Ireland.

Further details on these operations are set out in the Operating Review on page 26 to 35.

Our Strategy

There are two principal elements to the Group's strategy for delivering value to shareholders:

Investment in quality assets in order to achieve economies of scale consistent with a superior customer service.

Benchmarking costs to industry best practice to enable the Group to compete vigorously in its chosen markets.

This strategy is supported by our five strategic pillars:

- **Quality assets**
- **People and culture**
- **Financial management**
- **Safety**
- **Environment**

Further details on our strategic pillars can be found on page 72 under Group Strategy and Corporate Culture.
For more, please see Strategy in Action on pages 42 and 48.

Our Key Resources as outlined opposite are central to delivering our principal business activities and achieving our strategic objectives.

Reliability underpinned by major investment in tonnage and maintenance of quality assets ensuring the high levels of schedule integrity demanded by our customers.

Always on, always in touch our shipping and terminal services operate 24/7, assisted by investment in modern booking and tracking systems to ensure our customers can keep in touch over a variety of platforms.

Strategically located container terminals which handled 320,800 container units during 2019 in Ireland's main ports of Dublin and Belfast for shipping operators providing services to key continental hub ports and onwards access to global markets.

Connected container transport services provided by Eucon, transporting 343,400 teu (twenty foot equivalent) in 2019 between Ireland and over 20 countries throughout Europe by sea, road, rail and barge.

Fastest crossing on the Irish sea on board the Irish Ferries Dublin Swift fastcraft service with a sailing time of two hours between Dublin and Holyhead at speeds of up to 65 kph.

Strategic short sea RoRo routes operated by Irish Ferries providing a seamless connection from Ireland to the UK and Continental motorway network for the 313,200 RoRo units carried in 2019.

At the end of 2019 the Group had 307 direct employees, located in Ireland, the UK and The Netherlands.

Voted best Ferry Company by travel trade professionals for the 13th year in a row at the 'Irish Travel Trade News Awards'.

Key contributor to regional tourism in Ireland, Irish Ferries carried 1.5 million passengers and 401,300 cars during 2019 with research indicating that car tourists stay longer and travel outside the main urban centres.

High standard on-board experience enjoyed by our Irish Ferries customers encompasses quality food, beverage, entertainment and accommodation services. Passengers are never out of touch with free satellite wi-fi services.

The Group maintained liquidity reserves of €201.3 million at 31 December 2019 comprising cash and undrawn committed loan facilities.

Share listing on Euronext Dublin and the London Stock Exchange.

Operating and Financial Review

Key Performance Indicators and Summary of 2019 Results

The Group uses a set of headline Key Performance Indicators (KPIs) to measure the performance of its operations and of the Group as a whole which are set out and defined below.

Certain financial measures used are not defined under International Financial Reporting Standards (IFRS). Presentation of these Alternative Performance Measures (APMs) provides useful supplementary information which, when viewed in conjunction with the Group's IFRS financial information, allows for a more meaningful understanding of the underlying financial and operating performance of the Group. These non-IFRS measures should not be considered as an alternative to financial measures as defined under IFRS. Descriptions of the APMs included in this report are disclosed below.

APM	Description	Benefit of APM
EBITDA	EBITDA represents earnings before interest, tax, depreciation, amortisation and non-trading items	Eliminates the effects of financing and accounting decisions to allow assessment of the profitability and performance of the Group.
EBIT	EBIT represents earnings before interest, tax and non-trading items.	Measures the Group's earnings from ongoing operations.
Free cash flow before strategic capex	Free cash flow comprises operating cash flow less capital expenditure before strategic capex which comprises expenditure on vessels excluding annual overhaul and repairs, and other assets with an expected economic life of over 10 years which increases capacity or efficiency of operations.	Assesses the availability to the Group of funds for reinvestment or for return to shareholders.
Net debt	Net debt comprises total borrowings plus lease liabilities less cash and cash equivalents.	Measures the Group's ability to repay its debts if they were to fall due immediately.
Adjusted Earnings Per Share (EPS)	EPS is adjusted to exclude the non-trading items and net interest cost on defined benefit obligations.	Directors consider Adjusted EPS to be a key indicator of long-term financial performance and value creation of a public listed company.
ROACE	ROACE represents return on average capital employed. Operating profit (before non-trading items) expressed as a percentage of average capital employed (consolidated net assets, excluding net (debt) / cash, retirement benefit surplus / (obligation) and asset under construction net of related liabilities.	Measures the Group's profitability and the efficiency with which its capital is employed.
Pre-IFRS 16	Use of the term Pre-IFRS 16 denotes that the APM or IFRS measure presented for 2019 has been adjusted to remove the effects of the application of IFRS 16: Leases.	Assists the year on year comparison of underlying performance.

Non-Financial KPIs	Description	Benefit of non-financial KPI
Schedule integrity	Schedule integrity (the number of sailings completed versus scheduled sailings).	Schedule integrity is an important measure for Irish Ferries vessels as it reflects the reliability and punctuality of our service. This measure is meaningful to both our passenger and freight customers alike in facilitating them and their cargo to arrive on time at their final destination.

The following table sets forth the reconciliation from the Group's operating profit for the financial year to EBIT, EBITDA, Free Cash Flow and Net (debt)/ cash. See note 12 to the Financial Statements for the calculation of Basic and Adjusted EPS. The Group implemented IFRS 16: leases on a modified retrospective basis and has not restated the prior year results for the change in accounting policy.

Cash Flow	2019 €m	2018 €m
Operating profit (EBIT)	64.9	60.0
Non-trading items (note 10)	(14.9)	(13.7)
Net depreciation and amortisation (note 9)	36.8	22.1
EBITDA	**86.8**	**68.4**
Working capital movements (note 35)	2.0	(3.8)
Pension payments in excess of service costs (note 35)	(1.3)	(1.6)
Share based payments expense (note 32)	1.9	2.4
Other	0.1	(0.7)
Cash generated from operations	**89.5**	**64.7**
Interest paid (note 35)	(3.5)	(1.0)
Tax paid (note 35)	(1.2)	(2.2)
Maintenance capex	(11.6)	(15.6)
Free cash flow before strategic capex	**73.2**	**45.9**
Strategic capex	(42.5)	(160.5)
Free cash flow after strategic capex	**30.7**	**(114.6)**
Proceeds on disposal of property, plant and equipment	1.8	17.4
Dividends paid to equity holders of the Company	(24.7)	(23.5)
Buyback of equity	(12.9)	-
Proceeds on issue of ordinary share capital	0.1	0.6
Net cash flows	**(5.0)**	**(120.1)**
Opening net (debt)/ cash	(80.3)	39.6
Recognition of right of use asset lease obligations	(43.5)	-
Translation/ other	(0.2)	0.2
Closing net debt	**(129.0)**	**(80.3)**

Operating and Financial Review

Key Performance Indicators and Summary of 2019 Results

The following table sets forth the reconciliation from the Group's ROACE calculation;

ROACE	2019 €m	2018 €m
Equity	287.9	252.9
Net debt	129.0	80.3
Asset under construction (including prepayment deposits)	(43.9)	(189.9)
Retirement benefit obligations	3.7	4.2
	376.7	147.5
Retirement benefit surplus	(12.5)	(2.5)
Capital employed	**364.2**	**145.0**
Average capital employed	254.6	142.5
Operating profit (before non-trading items)	50.0	46.3
ROACE	**19.6%**	**32.5%**

The following table sets forth the reconciliation from the Group's net debt calculation;

Net debt	2019 €m	2018 €m
Cash and cash equivalents (note 19)	110.9	124.7
Non-current borrowings (note 22)	(200.3)	(204.0)
Current borrowings (note 22)	(3.6)	-
Non-current lease obligations	(27.6)	(0.7)
Current lease obligations	(8.4)	(0.3)
Net debt	(129.0)	(80.3)

The calculation and performance of KPIs and a summary of the key financial results for the year is set out in the table below. A detailed review of the divisional operations is set out in the Operating Review and Financial Review on pages 26 to 39.

		Ferries		Container & Terminal		Inter- Segment		Group	
		2019	2018	2019	2018	2019	2018	2019	2018
	Comment	€m	€m	€m	€m	€m	€m	€m	€m
Revenue		212.4	196.2	154.4	143.3	(9.4)	(9.3)	357.4	330.2
EBITDA	1	67.2	53.6	19.6	14.8	-	-	86.8	68.4
Operating profit (EBIT)	2	36.4	34.2	13.6	12.1	-	-	50.0	46.3
Non-trading item (note 10)		14.9	13.7	-	-	-	-	14.9	13.7
Net pension interest income/ (expense) (note 6 and 7)		-	-	-	-	-	-	-	0.1
Other finance charges (note 7)		-	-	-	-	-	-	(3.5)	(1.0)
Finance income (note 6)		-	-	-	-	-	-	0.1	0.1
Net interest		-	-	-	-	-	-	(3.4)	(0.8)
Profit before tax		**-**	**-**	**-**	**-**	**-**	**-**	**61.5**	**59.2**
ROACE	3	17.6%	31.1%	28.6%	37.1%	-	-	19.6%	32.5%
ROACE (Excl. IFRS 16 effects)		17.4%	31.1%	40.0%	37.1%	-	-	20.6%	32.5%
EPS: (note 12)									
EPS Basic	4	-	-	-	-	-	-	31.7c	30.4c
EPS Adjusted	4	-	-	-	-	-	-	23.8c	23.1c
Free Cash Flow	5	-	-	-	-	-	-	73.2	45.9

Comment:

Financial KPIs

1. **EBITDA:** Group EBITDA for the year increased by 26.9%, to €86.8 million (2018: €68.4 million). Adjusting for the effects of IFRS 16 (Note 30 (iii)) the underlying comparable EBITDA was €77.4 million, an increase of 13.1%. The increase in underlying EBITDA was primarily due to better schedule integrity following the disruption in the Ferries division in 2018, and the introduction of the W.B. Yeats. Underlying EBITDA in the Ferries division increased by 14.3%, to €61.3 million, while the Container and Terminal division increased by 8.1%, to €16.1 million.

2. **EBIT:** Group EBIT (pre non-trading items) for the year increased by 7.9% to €50.0 million (2018: €46.3 million). Adjusting for the effects of IFRS 16 (Note 30 (iii)) the underlying comparable EBIT was €49.2 million, an increase of 6.2%. The Ferries division increase in underlying EBIT was 5.8%, while the Container and Terminal division was 7.4% higher, as a result of volume growth. In April 2019, the Group entered into a bareboat hire purchase agreement for the sale of the cruise ferry Oscar Wilde to MSC Mediterranean Shipping Company SA. The total gross consideration for the sale was €28.9 million payable in instalments over 6 years, up to 2025. The sale generated a profit before tax of €14.9 million (2018: sale of the vessel Jonathan Swift generating a profit before tax of €13.7 million). Group EBIT including non-trading items increased by 8.1% to €64.9 million (2018: €60.0 million).

3. **ROACE:** The Group achieved a return on average capital employed of 19.6% (2018: 32.5%). This decreased return is due to the increase in average capital employed to €364.2 million from €145.0 million. This increase was primarily due to the introduction of the W.B. Yeats. The Ferries division achieved a return on average capital employed of 17.6% (2018: 31.1%) while the Container and Terminal division achieved 28.6% (2018: 37.1%). The comparable underlying returns after adjusting net assets and operating profit for the effects of IFRS 16 was a total Group return of 20.6%, Ferries division 17.4% and Container and Terminal division 40.0%.

4. **EPS:** Adjusted EPS (before non-trading items and the net interest cost on defined benefit obligations) was 23.8 cent compared with 23.1 cent in 2018. Basic EPS was 31.7 cent compared with 30.4 cent in 2018. The comparable EPS for 2019 increases by 0.1 cent after adjusting for the effect of IFRS 16.

5. **Free Cash Flow before strategic capital expenditure:** The Group's Free Cash Flow before strategic capital expenditure was €73.2 million (2018: €45.9 million). The increase in free cash flow is mainly due to the increase in EBITDA, positive working capital movements and reduced maintenance capital expenditure. Free Cash Flow before strategic capital expenditure is a meaningful measure of cash generated for investment or return to shareholders. Adjusting for the effects of IFRS 16 the comparable free cash flow amount was €64.8 million.

Non-Financial KPIs

Schedule integrity: The Ferries division delivered 92% of scheduled sailings compared with 86% in the previous year across all services. Our conventional ferry services (excluding the fast ferry) delivered schedule integrity of 97% in comparison with 90% in 2018. These figures largely reflect the lost sailings arising from the technical issues affecting the Ulysses in 2018 and non-operation of scheduled W.B. Yeats sailings due to the late delivery of that vessel by the shipbuilder in the prior year.

Operating and Financial Review

The Ferries division

The Ferries division operates multipurpose ferry services carrying both passengers and RoRo freight on strategic short sea routes between Ireland and the United Kingdom and direct ferry services between Ireland and France. The division also engages in chartering activities.

The ferry services trades under the Irish Ferries brand. During 2019 Irish Ferries operated three routes utilising a fleet of five vessels, four of which are owned and one which is chartered-in.

The division took delivery in December 2018 of the new cruise ferry the W.B. Yeats. After undergoing final commissioning and certifications it commenced services on the Dublin – Holyhead route in January 2019 transferring to the Dublin – Cherbourg route in March. In April 2019, the Group entered into a bareboat hire purchase agreement for the sale of the surplus vessel Oscar Wilde to MSC Mediterranean Shipping Company SA. The Dublin Swift fastcraft re-entered service in March 2019 following winter layup and drydock during which the car carrying capacity was increased through the addition of a new mezzanine deck.

In addition to the modern fleet Irish Ferries retains rights to access appropriate berthing times at key ports allowing Irish Ferries to facilitate its customer preferred sailing times.

The division also owns six container vessels which are time chartered.

Revenue in the division was 8.3% higher than the previous year at €212.4 million (2018: €196.2 million). Revenue in the first half of the year increased by 1.5% to €92.3 million (2018: €90.9 million), while in the second half revenue increased 14.1%, to €120.1 million (2018: €105.3 million). EBITDA increased to €67.2 million (2018: €53.6 million) while EBIT was €36.4 million compared with €34.2 million in 2018.

The prior year reported figures have not been restated for the effects of IFRS 16 adopted on 1 January 2019. Adjusting the 2019 reported figures for these effects, the underlying comparatives for 2019 are EBITDA of €61.3 million, a 14.3% increase over 2018 and EBIT of €36.2 million, an increase of 5.8% over 2018.

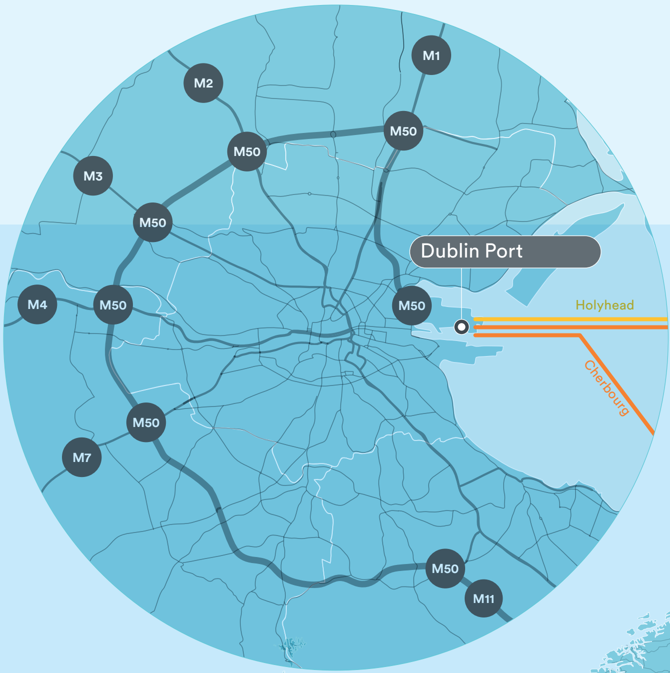
Fuel costs were €34.7 million, an increase of €1.0 million on the prior year. The division achieved a return on capital employed of 17.6% or 17.4% pre IFRS 16 (2018: 31.1%).

In total Irish Ferries operated 4,934 sailings in 2019 (2018: 4,755), the increase mainly due to technical issues on the vessel Ulysses in the prior year which resulted in a cancellation of sailings.

2019 Overall Ferries division Performance

	As Reported			Pre IFRS 16	
	2019	2018	Change	2019	Change
Revenue	€212.4m	€196.2m	+8.3%	€212.4m	+8.3%
EBITDA*	€67.2m	€53.6m	+25.3%	€61.3m	+14.3%
EBIT*	€36.4m	€34.2m	+6.4%	€36.2m	+5.8%
Non-trading item	€14.9m	€13.7m	-	€14.9m	-
ROACE	17.6%	31.1%	-	17.4%	-

* Excluding non-trading items.



Irish Ferries Ropax and Cruise ferry Services

Irish Ferries High Speed Ferry

Fleet Summary:

Operated by Ferries division

In operation	Type	Employment
Ulysses	Cruise ferry	Dublin – Holyhead
Isle of Inishmore	Cruise ferry	Rosslare – Pembroke
Epsilon (chartered-in)	Ropax*	Dublin – Holyhead / Cherbourg
Dublin Swift	High Speed Ferry	Dublin – Holyhead
W.B. Yeats	Cruise ferry	Dublin – Holyhead / Cherbourg
Under construction		
Hull 777	Cruise ferry	Contracted delivery end 2020

Chartered out by Ferries division

Vessel	Type	Employment
Ranger	LoLo container vessel	Charter – 3rd Party
Elbfeeder	LoLo container vessel	Charter – Inter-Group
Elbtrader	LoLo container vessel	Charter – Inter-Group
Thetis D	LoLo container vessel	Charter – 3rd Party
CT Rotterdam	LoLo container vessel	Charter – Inter-Group/3rd Party
Elbcarrier	LoLo container vessel	Charter – Inter-Group

*A Ropax ferry is a vessel with RoRo freight and passenger capacity.

Operating and Financial Review

The Ferries division

Continued

Car and Passenger Markets

It is estimated that the overall car market*, to and from the Republic of Ireland, fell by approximately 2% in 2019 to 777,600 cars, while the all-island market, i.e. including routes into Northern Ireland, is estimated to have decreased by 1.0%. Irish Ferries' car carryings during the year were up on the previous year by 2.2% to 401,300 cars, (2018: 392,700 cars). In the first half of the year Irish Ferries car volumes fell by 6.0%, reflecting the planned withdrawal of fastcraft services in the winter period. In the second half of the year, volumes were up by 8.3%, largely attributable to the disruption of services of the Ulysses in 2018 and additional conventional ferry services on the Dublin – Holyhead route due to the introduction of the W.B. Yeats.

The total sea passenger market (i.e. comprising car, coach and foot passengers) to and from the Republic of Ireland decreased by 3.5% on 2018 to a total of 2.92 million passengers, while the all-island market decreased by 1.5%. Irish Ferries' passenger numbers carried increased by 2.6% at 1.54 million (2018: 1.50 million). In the first half of the year, Irish Ferries passenger volumes fell by 4.7% and in the second half of the year, which is seasonally more significant, the increase in passenger numbers was 8.5%.

The Ferries division delivered 92% of scheduled sailings compared with 86% in the previous year across all services. Our conventional ferry services (excluding the fast ferry) delivered schedule integrity of 97% in comparison with 90% in 2018. These figures largely reflect lost sailings arising from the technical issues affecting the Ulysses in the prior year and non-operation of scheduled W.B. Yeats sailings in 2018 due to the late delivery of that vessel by the shipbuilder.

Initiatives by the tourist industry such as the Wild Atlantic Way and Ireland's Ancient East, have been instrumental in promoting 'own car' tourism around the Irish coasts, and have helped broaden the distribution of tourists around the island and across the seasons.

In 2019, Irish Ferries delivered a comprehensive programme of marketing and promotional activity across our key markets of Britain, Ireland and France. We continued investing significantly in our brand and delivered compelling and personalised offers to our customers at times relevant for the planning and booking of their holidays and other travel.

This approach helped to improve our brand awareness in these important markets, and to drive increased levels of enquiries to our website, www.irishferries.com, which generated over 6.4 million visits, and delivered over 85% of bookings transacted in the year.

Our campaign strategy was to deliver awareness of our services, using traditional and social media channels and to create an interest in purchasing our services online. We used the latest buying techniques to leverage the best value in our media spend and delivered an integrated campaign across the relevant markets. Our messaging and advertising used a wide range of channels and was compatible with all transactional platforms, browsers and devices, in support of our strategy of being available to our customers whenever they wish to book, and on whatever device they choose to do so.

We appreciate that our own performance is closely linked to the performance of tourism source markets, and we continued to work closely with state tourism agencies in Ireland (Tourism Ireland and Fáilte Ireland), Wales (Visit Wales), and France (Normandy Tourism and Cotentin Tourism), to deliver co-operatively funded advertising and publicity initiatives.

Given the commercial value of our e-commerce site, considerable attention is paid to ensuring that the associated systems are continuously available, robust and secure. We continue to invest in developing our e-commerce efficiency and are continuously updating our systems and channels as we determine changes in consumer research and transaction behaviour.

While we work hard to engage with the consumer marketplace, we also invest considerably in partnerships with the travel trade. In 2019, we were delighted to be voted ‘Best Ferry Company’ by travel trade professionals, for the 9th year in a row at the Irish Travel Industry Awards, and for the

Operating and Financial Review

The Ferries division

Continued

13th year in a row at the Irish Travel Trade News Awards. In addition, in the UK Group Leisure & Travel awards, Irish Ferries was voted the winner in the category 'Best Ferry or Fixed Link Operator'.

Already this year, Irish Ferries has been awarded 'Best Ferry Company' for the 10th year in succession by travel agents in the Irish Travel Industry Awards 2020.

RoRo Freight

The RoRo freight market* between the Republic of Ireland, and the U.K. and France, continued to grow in 2019 on the back of the Irish economic recovery, with the total number of trucks and trailers up 1.0%, to approximately 1,042,800 units. On an all-island basis, the market increased by approximately 0.8% to 1.88 million units.

Irish Ferries' carryings, at 313,200 freight units (2018: 283,700 freight units), increased by 10.4% in the year with volumes up 7.4% in the first half and up 13.5% in the second half. The performance against the market is principally related to the schedule disruptions experienced on the Ulysses in the prior year and additional sailings and capacity following the introduction of the W.B. Yeats.

Irish Ferries has also been proactive in the online environment for freight customers. In recent years high quality mobile options have been developed, alongside the traditional desktop, whereby customers can access our freight reservations systems with ease. This has facilitated an increasing proportion of our business being booked via our website, www.irishferriesfreight.com.

*(Market figures source: Passenger Shipping Association and Cruise & Ferry)

Chartering

During the year, the Group purchased two additional container ships for external charter. The Thetis D was purchased in April for €12.4 million, and the CT Rotterdam was purchased in November for €8.2 million. Of our six owned LoLo container vessels, three are currently on year-long charters to the Group's container shipping subsidiary Eucon on routes between Ireland and the continent whilst two are chartered to third parties. The remaining vessel, the recently acquired CT Rotterdam, is providing short-term drydock cover with Eucon and will afterwards be offered to the market. Overall external charter revenues were €4.7 million in 2019 (2018: €2.1 million).

In April 2019, the Group entered into a bareboat hire purchase agreement for the sale of the Oscar Wilde to MSC Mediterranean Shipping Company SA.

Outlook

We look forward to 2020 and beyond with renewed confidence in our service offering. With the addition of the W.B. Yeats to the fleet we are now able to offer a year round freight service direct to Cherbourg with additional significant capacity in both tourism and freight offerings. With the extensive drydocking works carried out on the Ulysses at the beginning of the year, we have returned to previously high levels of schedule integrity and we plan to build on this in the coming year.

Operating and Financial Review

The Container and Terminal division

The Container and Terminal division provides direct container shipping services between Ireland and continental Europe together with the operation of container terminals at both Dublin and Belfast.

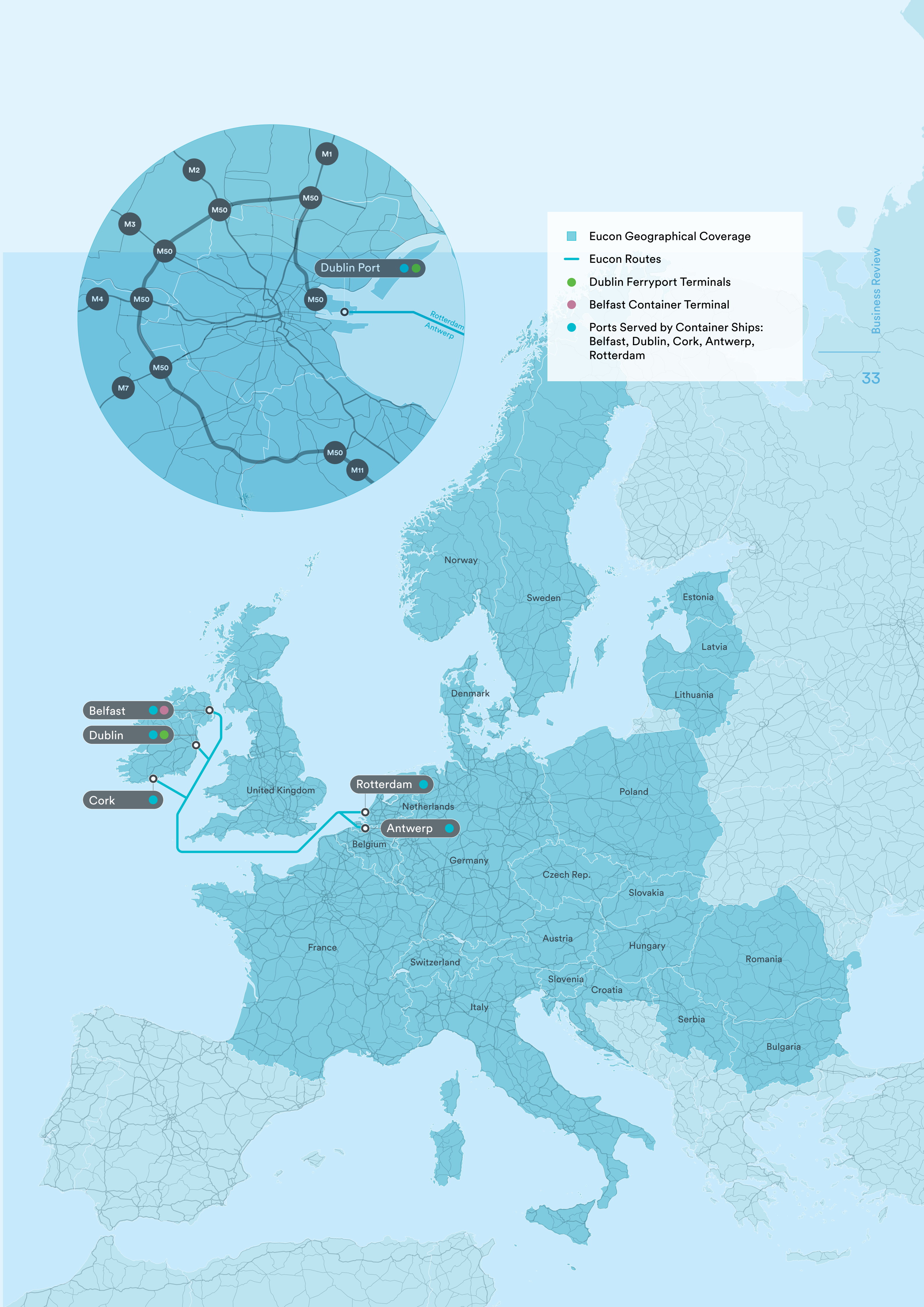
The division's intermodal shipping line Eucon is the market leader in the sector, operating a core fleet of six chartered container vessels ranging in size from 750 – 1,000 teu capacity, connecting the Irish ports of Dublin, Cork and Belfast with the continental ports of Rotterdam and Antwerp. Eucon deploys 3,800 owned and leased containers (equivalent to 7,400 teu) of varying types thereby offering a full range of services from palletised, project and temperature controlled cargo to Irish and European importers and exporters from all points on the island of Ireland to destinations across 20 European countries. Quay to door services are contracted to third parties utilising a variety of transport modes including road, rail and barge.

Dublin Ferryport Terminals operates its Dublin Port container facility from a leasehold facility covering over 34 acres. The facilities comprise 480 metres of berths for container ships, with a depth of 9 to 11 metres and is equipped with 3 modern Liebherr gantry cranes (40 tonne capacity) and 8 rubber tyred gantries (40 tonne capacity) on a strategically located site within three kilometres of Dublin city centre and within one kilometre of the Dublin Port Tunnel, providing direct access to Ireland's motorway network. In addition two electrically operated rubber tyred gantries incorporating latest technologies to allow for remote operation were commissioned during the year.

Belfast Container Terminal operates the sole container terminal at Belfast under a services concession agreement with Belfast Harbour Commissioners (BHC). This facility comprises of a 27 acre site, equipped with 3 ship to shore gantry cranes, 3 rail mounted gantry cranes and 3 straddle carriers. During the year the Group agreed an extension to the port operating concession agreement at Belfast. This agreement now extends to 2026 during which the port owner BHC will undertake significant investment in new port assets.

2019 Overall Container and Terminal Performance

	As Reported			Pre IFRS 16	
	2019	2018	Change	2019	Change
Revenue	€154.4m	€143.3m	+7.7%	€154.4m	+7.7%
EBITDA	€19.6m	€14.8m	+32.4%	€16.1m	+8.7%
EBIT	€13.6m	€12.1m	+12.4%	€13.0m	+7.4%
ROACE	28.6%	37.1%	-	40.0%	-


Eucon Geographical Coverage
Eucon Routes
Dublin Ferryport Terminals
Belfast Container Terminal
Ports Served by Container Ships: Belfast, Dublin, Cork, Antwerp, Rotterdam
Dublin Port
Rotterdam
Antwerp
M1
M2
M3
M4
M7
M11
M50
Belfast
Dublin
Cork
Rotterdam
Antwerp
Norway
Sweden
Estonia
Latvia
Lithuania
Denmark
United Kingdom
Netherlands
Belgium
Poland
Germany
Czech Rep.
Slovakia
France
Austria
Hungary
Romania
Switzerland
Slovenia
Croatia
Italy
Serbia
Bulgaria

Operating and Financial Review

The Container and Terminal division

Continued

Revenue in the division increased to €154.4 million (2018: €143.3 million). The revenue is derived from container handling and related ancillary revenues at our terminals and in Eucon from a mix of domestic door-to-door, quay-to-quay and feeder services with 70% (2018: 70%) of shipping revenue generated from imports into Ireland. With a flexible chartered fleet and slot charter arrangements Eucon was able to adjust capacity and thereby continue to meet the requirements of customers in a cost effective and efficient manner.

EBITDA in the division increased to €19.6 million (2018: €14.8 million) while EBIT rose 12.4% to €13.6 million (2018: €12.1 million). The prior year reported figures have not been restated for the effects of IFRS 16 adopted on 1 January 2019. Adjusting the 2019 reported figures for these effects, the underlying comparatives for 2019 are EBITDA of €16.1 million, an 8.7% increase over 2018 and EBIT of €13.0 million, an increase of 7.4% over 2018.

In Eucon overall container volumes shipped were up 4.8% compared with the previous year at 343,450 teu (2018: 327,600 teu). The resulting revenue increase was partially offset by volume related costs while fuel costs were at a similar level to the prior year.

Containers handled at the Group's terminals in Dublin Ferryport Terminals (DFT) and Belfast Container Terminal (BCT) were up 3.5% at 320,800 lifts (2018: 310,000 lifts). DFT's volumes were up 4.4%, while BCT's lifts were up 2.1%.

Outlook

We look forward to continuing the growth trend achieved in 2019 which is testament to our investment in the business in driving efficiencies and nurturing close customer relationships. We are pleased with the commissioning of our new remotely operated RTGs and expect two additional units to be delivered in 2020. These will further drive efficiencies and increase operating capacity in our Dublin terminal. Following the extension to the concession agreement for the operation of Belfast Container Terminal, we are also looking forward to working with Belfast Harbour in planning for future investment at the Belfast facility.

Financial Review

Results

Revenue for the year amounted to €357.4 million (2018: €330.2 million) while operating profit before non-trading items amounted to €50.0 million (€49.2 million pre IFRS 16) compared with €46.3 million in 2018. Principal variations on the prior year include the revenue effects of the schedule disruptions in the Ferries division in the prior year and the introduction of the W.B. Yeats into service. In April 2019, the Group entered into a bareboat hire purchase agreement for the sale of the cruise ferry Oscar Wilde to MSC Mediterranean Shipping Company SA. The total gross consideration for the sale is €28.9 million, payable in instalments over 6 years, up to 2025. This has resulted in profit on disposal in the year of €14.9 million.

In the prior year, the Group completed the sale of the vessel Jonathan Swift generating a non-trading item of €13.7 million.

Taxation

The tax charge is €1.3 million compared with a charge of €1.4 million in 2018. The corporation tax charge of €1.2 million (2018: €1.5 million) comprises Irish and UK corporation tax. Certain activities qualify to be taxed under tonnage tax (which is an EU approved special tax regime for qualifying shipping activities) in Ireland. Reconciliation of the tax charge showing the effect of the tonnage tax regime on the Group's tax charge is shown at note 8. The deferred tax charge was €0.1 million in 2019 (2018: €0.1 million credit).

Earnings per share

Basic EPS was 31.7 cent compared with 30.4 cent in 2018. The reason for the increase in Basic EPS is due to the increase in profit attributable to equity holders of the parent to €60.2 million (2018: €57.8 million) with no significant movement in the average shares in issue.

Adjusted EPS (before the net interest cost on defined benefit obligations and non-trading items) was 23.8 cent compared with 23.1 cent in 2018.

Cash flow and investment

EBITDA for the year was €86.8 million (€77.4 million pre IFRS 16*) (2018: €68.4 million). There was a net inflow of €2.0 million, due to positive working capital movements, payments in excess of service costs to the Group's pension funds of €1.3 million and other net cash inflows amounting to €2.0 million yielding cash generated from operations amounting of €89.5 million (2018: €64.7 million).

Interest paid was €3.5 million (2018: €1.0 million) while taxation paid was €1.2 million (2018: €2.2 million).

Capital expenditure outflows amounted to €54.1 million (2018: €176.1 million) which included €42.5 million of strategic capital expenditure related to the purchase of the container vessels Thetis D and CT Rotterdam, and other fleet improvements.

Dividend payments of €24.7 million (2018: €23.5 million) were made during the year and €12.9 million was expended in buying back the Group's equity.

The application of IFRS 16 increased year end net debt by €36.0 million comprising the initial application of IFRS 16 increasing lease obligations at implementation date by €31.0 million together with additions during the period of €12.5 million. These amounts were reduced by capital repayments.

The above cash flows resulted in a year-end net debt of €129.0 million (2018: €80.3 million net debt), which comprised gross borrowing of €203.9 million, lease obligations of €36.0 million offset by cash balances of €110.9 million. The key Net Debt/ EBITDA (pre non-trading items) ratio was 1.5 times.

Dividend and share buybacks

During the financial year a final dividend of 8.56 cent per ICG Unit was paid for the financial year ended 31 December 2018 and also an interim dividend of 4.42 cent per ICG Unit was paid for the financial year ended 31 December 2019. The Board is proposing a final dividend of 8.99 cent per ICG Unit in respect of the financial year ended 31 December 2019.

During the year the Group also bought back 2.9 million shares representing 1.5% of the issued equity at 1 January 2019. These shares were cancelled. The total consideration paid for these shares was €12.9 million.

Operating and Financial Review

Financial Review

Continued

Pensions

The Group sponsors four separately funded defined benefit pensions schemes covering employees in Ireland, the UK and the Netherlands. The Group also participates in the UK based industry-wide scheme, the Merchant Navy Officers Pension Fund (MNOPF) in which participating employers share joint and several liability. Aggregate pension assets in the four Group-sponsored schemes at year end were €298.4 million (2018: €264.3 million), while combined pension liabilities were €289.6 million (2018: €266.0 million).

The total net surplus of all defined benefit pension schemes at 31 December 2019 was €8.8 million in comparison to €1.7 million deficit at 31 December 2018.

Financial risk management

The principal objective of the Group's treasury policy is the minimisation of financial risk at reasonable cost. To minimise risk the Group uses interest rate swaps and forward foreign currency contracts. The Group does not trade in financial instruments.

Interest rate management

The interest rates on Group borrowings at 31 December 2019 comprising loan notes and finance lease obligations has been fixed at a contracted rate at the date of drawdown with the relevant lender eliminating exposure to interest rate risk on borrowings. The average effective interest rate at 31 December 2019 was 1.60%. At 31 December 2019, all of Group borrowings were at fixed rates at an average effective rate of 1.62%. Debt interest cover, for the year was 65 times (2018: 65 times).

Currency management

The Group has determined that the Euro is the operating currency in which it reports its results. The Group also has significant Sterling and US Dollar cash flows. The Group's principal policy is to minimise currency risk by matching foreign currency assets and liabilities and to match cash flows of like currencies. Sterling revenues and expenses are netted. Exposure to the US Dollar relates mainly to fuel costs. The Group has in place fuel surcharge arrangements with its commercial customers which recovers a portion of movements in euro fuel costs above a base level which partially mitigates the exposure to US dollar currency movements.

Commodity price management

Bunker oil costs constitute a separate and significant operational risk, partly as a result of historically significant price fluctuations. In the Container and Terminal division bunker costs above a base level are offset to a large extent by the application of prearranged price adjustments with our customers. Similar arrangements are in place with freight customers in the Ferries division. In the passenger sector, changes in bunker costs are included in the ticket price to the extent that market conditions will allow. Bunker consumption was 122,000 tonnes in 2019 (2018: 108,600 tonnes). The cost per tonne of heavy fuel oil (HFO) fuel in 2019 was 3% higher than in 2018 while marine gas oil (MGO) was 2% lower than in 2018.

Credit risk

The Group's credit risk arising on its financial assets is principally attributable to its trade and other receivables. The concentration of credit risk in relation to trade is limited due to the exposure being spread over a large number of counterparties and customers. Other receivables include deposits paid under a shipbuilding contract which are secured through letters of credit issued by high quality insurers. The Group also has a significant long-term receivable relating to a bareboat hire purchase arrangement which is secured by retention of title to the vessel.

Liquidity

It is Group policy to maintain available facilities which allow the Group to conduct its business in an orderly manner. The target level is reviewed from time to time in line with the Group's future requirements over the medium term and will comprise cash deposits and committed banking facilities. Total available facilities at 31 December 2019 amounted to €201.3 million comprising cash balances of €110.9 million together with undrawn committed facilities of €90.4 million with average maturity of 4.1 years. Total drawn facilities of €205.0 million had an average maturity of 6.2 years over remaining terms of up to 11 years.

David Ledwidge,
Chief Financial Officer

4 March 2020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Environmental and Sustainability

ICG Strategy and the Environment

A commitment to safeguarding the environment and operating in a sustainable manner is a key deliverable of ICG strategy. A continuous focus on its cost base drives improvement in operational efficiency resulting in lower inputs and wastage levels, and maximises asset lives all of which ultimately improves our environmental performance.

In recognising that small changes can deliver cumulatively large efficiencies over time ICG has developed a groupwide environmental framework the objective of which is to facilitate the continuous improvement of the environmental effects of the Group's activities in a unified and structured manner.

On a wider societal level ICG plays a pivotal role in Ireland's traded goods logistical chain while Irish Ferries' passenger services contribute significantly to the tourism industries of Ireland, the United Kingdom and France.

The Group's principal activity is the operation of ships and provision of related services. While transport by sea is one of the most efficient modes of transport, as measured by cargo tonnes per kilometre, these activities still have an unavoidable impact on the environment. This report provides a summary of the principal initiatives implemented by the Group to minimise this impact over four key areas; vessel design, fleet operation, on board hotel activities; and terminal activities.

Vessel Design

The Group operates a total fleet of four ferries (three owned, one chartered-in), one fast craft and six container vessels (four owned, 2 chartered-in). The Group commissioned all three owned ferries and the chartered-in ferry is due to be replaced by a further commissioned newly built ferry. The efficiency characteristics of our fleet commence at the design phase with incremental improvements made over the life of a vessel. Projects completed or commissioned during 2019 are described below.

Construction Design

When commissioning new vessels the Group is committed to the application of innovative design features intended to minimise environmental impact. By law, all new ships from 2013 onwards require an Energy Efficiency Design Index (EEDI) whereby new ship designs must meet an efficiency reference level. The W.B. Yeats has a required EEDI of 18.5g of CO2 per tonne-mile. The new cruise ferry under construction at a contract price of €165.2 million will fall under phase two of EEDI as construction takes place from 2020, meaning its required efficiency will be a ten percent improvement on that designated for the W.B. Yeats.

Ballast Water Management

The intake and discharge of ballast water (sea water) is an integral part of vessel stability management, though poor management of ballast water systems can damage local biodiversity through transference of non-native marine species.

The Group has implemented a Ballast Water and Sediments Management Plan across all its fleet for correct management of ballast water to help prevent the spread of non-native marine species by transference. Our newest vessel W.B. Yeats has already been designed with ballast water treatment systems, while in 2020, the Group will complete feasibility studies and set out investment proposals for ballast water treatment equipment across the remaining fleet from 2021. Pending completion of this upgrade project the operating protocol is that all ballast water is loaded and discharged at the same location so as to avoid species transfer.

In addition to reducing the risk of transference, this project will also improve fuel efficiencies through avoiding excess carrying of ballast waters.

Paint

A key factor that affects vessel performance apart from the optimal engineered design of the hull is the maintained condition of the hull itself. Central to this is maintaining a smooth underwater hull surface to reduce resistance when moving through the water. Once in service a vessel's hull is exposed to corrosion and fouling, which studies indicate can adversely affect fuel consumption by up to four percent. To maintain maximum efficiency as part of ongoing maintenance ICG vessels utilise modern silicon based non-toxic paints which avoid the release of harmful agents into the sea. These assist in preventing corrosion thereby ensuring maximum hull life, reducing fouling between drydockings and lowers the risk of damage to local biodiversity.

Propeller Caps

The W.B. Yeats was delivered fitted with the latest energy efficient propeller blades. These incorporated rotating propeller caps which decrease propeller resistance and increase thrust. This increases overall propulsion efficiency and reduces fuel consumption. Having assessed this technology, a full set of similar propeller blades were retro-fitted to the Ulysses during 2019.

Environmental and Sustainability
Continued

Strategy in Action

Exhaust Gas Cleaning Systems
The International Maritime Organisation (IMO), a UN sponsored body adopted by the European Union, has issued new fuel regulations (IMO 2020) which are effective for all shipping operators effective from 1 January 2020. IMO 2020 requires all our vessels operating outside of sulphur emission control areas (SECA) to reduce sulphur emissions equivalent to consuming 0.5% sulphur content fuel oils compared to the previous permitted 1%. Over the last decade these permissible levels have been decreased in stages from 3.5% to the current 0.5% and 0.1% when operating in SECA.

The fastcraft Dublin Swift consumes marine gas oil which has a delivered sulphur content of 0.1% thus already in compliance and bettering the new regulatory requirement in its geographic area of operation.

On its owned and operated fleet, the Group has taken the decision to install Exhaust Gas Cleaning Systems (EGCS) to comply with these latest requirements. The cruise ferry W.B. Yeats which commenced sailing in the fleet in 2019 was delivered an EGCS. This ensured that this vessel complied with the 0.5% sulphur cap on marine fuels in advance of the 1 January 2020 deadline. The cruise ferries Isle of Inishmore and Ulysses and the owned container vessels operated by the Group will each have EGCS installed during 2020 and pending completion of those installations will consume heavy fuel oils with a delivered sulphur content of 0.5%. In opting for EGCS the Group performed a thorough assessment of alternatives, including a conversion to LNG fuels and found the EGCS option to be the safest and most environmentally friendly solution. In addition to managing sulphur emissions studies have shown that EGCS can remove 60-90% of particulate matter (PM or black carbon), including a portion of small and ultrafine PM, resulting in fewer particles released in the atmosphere compared to consuming 0.5% fuel oils or marine gas oil.

The experience to date with the W.B. Yeats is that achieved sulphur emissions are below permitted levels with on-board emission alarm levels set lower than the maximum permissible.

Total Group investment for supply and installation of EGCS is estimated at approximately €25 million. In addition to improving ICG's environmental performance this investment allows the Group to consume lower cost fuel oils and in the event that a vessel may become surplus to operational requirement allows for greater geographical operational ability increasing the marketability of the vessel to a third party.


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Environmental and Sustainability
Continued

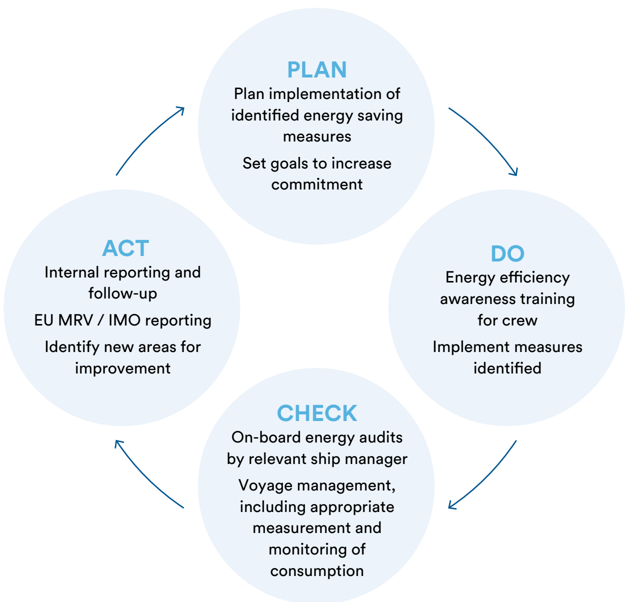
Fleet Operations
Ship Energy Efficiency Management Plan
Under IMO requirements each vessel has developed a Ship Energy Efficiency Management Plan (SEEMP). The SEEMP contains a multitude of measures intended to improve the energy and environmental efficiency of a ship in a cost-effective manner. While all plans are vessel-specific, they each follow a Plan-Do-Check-Act iterative cycle for improvement.

Key SEEMP measures, all of which improve the fleet environmental performance include;

- Fuel efficiency maximisation
- Speed optimisation for sea conditions
- Minimisation of hull resistance through sailing parameter optimisation
- Engine performance management
- Boiler performance management
- Bunker management

Efficiency in operation
ICG is developing a program to increase operational efficiency awareness across its fleet through recording the operational profile for each voyage conducted in service. Due to be introduced in 2020, each scheduled voyage carried out with plant safely reduced below the standard operational profile due to efficient port operations, navigational routing, trim of vessel, good weather, speed management or a combination of the above while maintaining schedule will be classed as a 'clean voyage'. It is proposed that clean voyages will be recorded throughout the year and associated reduction in CO_2 emissions estimated and used to benchmark against annually to ensure continuous improvement.

Additionally, during 2019 the Group has commenced reporting under the EU Monitoring,



Reporting and Verification guidelines (MRV) which requires ships to monitor and report CO2 emissions, fuel consumption, transport work and average energy efficiency each year. In time this data will provide a benchmark to track improvement.

Refrigeration and Air Conditioning Emissions

All our vessels have refrigeration and air conditioning systems which utilise hydrofluorocarbons gasses (HFCs) which are known to cause ozone damage if leaked into the atmosphere. All owned vessels are fully compliant with the EU 'F-gas' Regulation restricting the usage of certain HFCs and imposing bans on certain other HFCs with the highest global warming potential. Leakages of all refrigerant gas on board vessels are to be recorded in 2020 with the intention of implementing an action plan to work towards a zero-leak environment by 2022.

Waste

The disposal of waste at sea is strictly prohibited by regulation and all vessels have a waste disposal plan. All vessels use oil recovery systems to recover spent oils which are then sent for recycling to processors with regulatory approvals. All other vessel waste is segregated where possible and sent for recycling at approved facilities.

Under the most recent biennial reporting to the Irish Central Statistics Office, the Group has recorded reductions in its wastage in 2018 over 2016 with an overall reduction of approximately 1,100 tonnes. This represents a 30% reduction in waste sludge and oil water and a 68% reduction achieved across other waste types, including packaging, paper and electronic waste.

Environmental and Sustainability
Continued

Hotel and Catering Activities

Welcoming over 1.5 million guests aboard our cruise and passenger ferries annually our on-board hospitality services contribute significantly to our environmental performance. We are continually seeking ways to improve our performance in the following key areas;

Responsible sourcing

Where possible we seek to increase the use of local suppliers and showcase local produce supporting artisan producers. Typical examples include our fish supplier, a large family-owned fishmonger based in the fishing town of Howth in North County Dublin who supply locally sourced seafood utilising sustainable fishing methods. We source all of our fruit and vegetables through Irish distributors who guarantee to deliver the freshest produce from farms all around the Country. When in season Irish produce will always be selected before imported goods. All our beef is Irish produced and our Irish dairy, cheddar cheese and eggs are origin green certified. Our breakfast meats are sourced in Kilkenny and Cork. We are a strong promoter of Irish beverages not only the popular brands but also smaller producers of craft beers and spirits. In line with the demands of our guests we now offer a wide variety of plant based food and drink options in all our cafes and restaurants with plans to increase this range of offering in 2020. Our coffees are provided by a Dublin based roaster, using the world's first purpose-built carbon neutral roastery in Dublin and coffees and teas served on board are fair trade certified. Our supply chain seeks to minimise the number of deliveries to our vessels through the use of containerised provisioning.

Water conservation

All water used on board our vessels is of potable standard. As this is both a scarce resource and an increasing cost ICG seeks to reduce consumption on-board vessels through water saving devices such as flow controllers without interrupting our guests' comfort. Water conservation is covered in environmental awareness information made available to our crews.

Related to water conservation is waste water treatment systems. All our vessels have foul water treatment systems which meet strict regulatory requirements at least equivalent to land based systems before discharge into open seas away from coastal areas.

Cleaning and hygiene

With up to two million laundry items per annum ICG requires that its laundry service provider should be as environmentally conscious as ICG. Our laundry contract has been awarded to one of Ireland's leading laundries whom ICG is satisfied is accredited as complying with the highest environmental standard with a commitment to minimum use of harmful detergents and a recycling program.

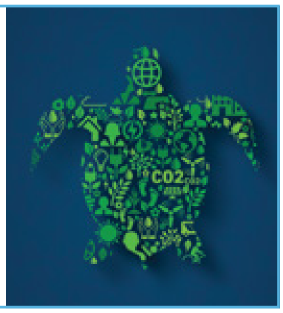
In our cabin accommodation we use ozone sanitary systems which has high oxidant power to eliminate odours and harmful bacteria while significantly reducing the use of chemical products.

Other on-board initiatives

Equally important to the significant initiatives above are the myriad of smaller changes that are constantly being implemented an example being a switch to coreless tissue dispensers removing over 300,000 cardboard cores from our previous waste output.

Single use plastics

We committed during 2019 to remove single use plastics and other non-compostable consumables from our restaurants. We are well on the way to achieving this goal during 2020 where all food packaging and coffee cups will be produced from compostable materials. We have also introduced an awareness programme for our guests through the use of our turtle logo.



Environmental and Sustainability
Continued

Terminal Operations

The Group's container terminals at Dublin and Belfast utilise energy in the form of direct consumption of fossil fuels and electricity generating exhaust emissions. The nature of operations is that terminals also generate road traffic and certain levels of noise. ICG has a number of projects in place to improve environmental performance at its container facilities.

Strategy in Action

Increased electrification of heavy plant
The two most recent commissioned mobile gantries (RTGs) at our Dublin Ferry Port Terminal represented a change to electrical power from previous diesel combustion. The advantages are greater efficiency due to zero idling, lower emissions and noise levels. Currently 20% of our RTG fleet is electrically powered which is expected to increase to 33% following delivery of further units during 2020. The three ship to shore cranes are already electrically powered.

At our Belfast terminal our landlord partner Belfast Harbour Commissioners have commenced an investment program whereby they are also changing the plant which we operate from diesel units to electrical units.

Increased Automation
In conjunction with our investment in new RTGs at Dublin we commissioned our first automated container stack during 2019. This has improved container handling efficiency significantly, while further increasing the level of occupational safety in the port. We are currently commissioning a second automated stack in conjunction with the delivery of the two additional RTGs scheduled for delivery in 2020.

The modernisation of the Belfast terminal by our landlord will also incorporate this technology.

Transport Management System
A new transport management system having been trialled during 2019 is scheduled to be operational during 2020. This will facilitate reduced waiting times and idling time on the part of our sub-contracted hauliers while also improving aspects of operational safety within our terminals.

Environmental and Sustainability

Continued

Offices

While our office locations are the least environmentally impactful aspect of ICG operations we have adopted an environmental plan to generate environmental awareness of the impact of our administrative activities. ICG has a waste management plan in place for its offices and ports. With the help of staff, suppliers and visitors we aim to prevent waste and discontinue the use of environmentally damaging products as a primary goal. Having moved to energy efficient lighting during 2018, the 2019 initiative was to optimise the uncontaminated segregation of compostable, recyclable and general waste to enable its waste partners to effectively process waste and to replace all single use plastics with compostable alternatives in office canteens and recreation areas.

Social and Governance

Community and Wellness

The Group continues to take an active interest in the communities within which it operates. Each separate business unit assists in local initiatives through sponsorship and organised events. ICG recognises the important role played by charities and community organisations within its communities and we are happy to help these organisations achieve their goals. Irish Ferries has been a main sponsor of the Dublin St. Patrick's Day festival. The Group is also happy to support its employees with charitable endeavours of their own. Irish Ferries works with the Irish Whale and Dolphin group by reporting information on sightings and facilitating surveys to assist in the conservation and understanding of cetaceans in the Irish Sea.

Staff

The general health and wellbeing of employees and customers is of utmost importance to the Group. ICG participates in the 'Cycle to Work' scheme and provides an on-site gym facility at the Group head office, available to all staff.

ICG is an equal opportunities employer and while the industry is heavily male represented, the Group believes diversity is necessary to drive innovation, make better decisions and maintain a talented workforce. As of 31 December 2019, 33% of the Group's employees were female. Whilst this is not representative of the population at large it is characteristic of the sector in which we operate. Cognisant of the need to better reflect societal composition, the Group has put in place an initiative to seek out larger numbers of female candidates when conducting recruitment.

Safeguard of vulnerable persons

ICG imposes strict obligations on the entity responsible for the technical and crewing management onboard its ships, the applicable contractors it employs and its management teams to comply with all applicable laws, including those relating to labour and employment practices. ICG requires a due diligence process to be conducted prior to the appointment of a contractor together with in-contract reviews.

Within its day to day operations ICG has in place a range of measures to help ensure modern slavery and human trafficking are not taking place in its business or its supply chains. Measures adopted include;

- Provision of guidance to employees to support immigration and border agency initiatives to reduce human trafficking, which augments general observation for unusual behaviour in our ports and onboard our vessels. Awareness of this issue is promulgated across all Group businesses.
- Working with other companies and organisations to share knowledge, learning and best practise and co-operating with a series of law-enforcement projects that help to combat human trafficking and modern slavery.
- Regular updates to management and committees on modern slavery so that directors and key individuals understand their role and accountability for the prevention of modern slavery occurring in our businesses and supply chains.
- Actively monitoring its initiatives in preventing modern slavery and human trafficking by reference to reports and alerts from staff, the public and communication with law-enforcement agencies.

Safety

The promotion and maintenance of a strong safety culture across all activities is a principle strategy of ICG, to not only ensure the safety, security and well-being of our people and passengers, but also so that all stakeholders reap the competitive rewards that come from giving safety top priority.

The Group's operations span a wide range of activities, both ashore and afloat. It is a matter of high priority that all our activities are conducted in a manner that ensures the safety and security of all our people, and all those who travel on board our ships or visit our terminals. The bedrock of ICG's safety performance is our people. We place strategic emphasis on ensuring all those who work within the Group's sphere of operations are competent, provided with a high level of safety and quality training and information, and are encouraged to engage with the Group's continuous improvement philosophy.

Compliance with policy and procedures, both ashore and afloat, is monitored by regular and detailed audits. Audits are conducted by trained and experienced auditors in an open yet focused manner that drives compliance and improvement. Senior management monitor safety and audit performance across the Group, identifying and addressing safety trends and opportunities for improvement where they may arise.

In addition to the Group's own internal verification procedures, our activities are subject to regular routine inspection by national and international statutory bodies. They, like us, set high standards to ensure the safety and well-being of all personnel, passengers and cargoes; standards that we as a Group are ready to meet and exceed.

Ashore: As a minimum, all the Group's activities are conducted in strict compliance with the various statutory health and safety standards and international maritime regulations that apply. In accordance with the Safety, Health and Welfare at Work Act 2005 and its equivalents in other jurisdictions, the Group has in place safety policies and safety statements that guide our activities. We have in place a system of hazard identification and risk assessment that ensures all necessary steps are taken to minimise and mitigate safety risks. Agreed procedures ensure that activities and operations are conducted in a consistent and safe manner. By fostering a culture of employee competence and participation we empower our employees to continuously improve the efficiency and safety of our activities, so contributing to a safe environment for all.

At Sea: ICG ensures that all its ships are designed, operated and maintained in compliance with the International Convention for the Safety of Life at Sea (SOLAS). This Convention is administered by the UN's International Maritime Organisation and is subject to continuous international review and updating, ensuring ship safety standards keep pace with societal expectations and technological advances.

The safety and security of ship's crews, passengers and cargoes is critical to our business, and is always the primary consideration. ICG ships are certified in accordance with the International Safety Management (ISM) Code, the international standard for the safe management and operation of ships and for pollution prevention.

ICG also operates in full compliance with the International Ship and Port Facility Security (ISPS) Code on board all ships and at all locations. The on-board management of the Irish Ferries operated vessels was performed by Matrix Ship Management Limited, Cyprus, on behalf of ICG.

While the focus is on accident prevention where incidents do occur, effective internal and external reporting and investigation systems are employed to identify the cause of such incidents and put in place actions to prevent recurrence. Due to the highly regulated environment in which we operate, incidents may be subject to external investigation by the appropriate regulatory authority. The Group will always work with the authorities toward a successful and worthwhile investigation outcome.

Lost Time Injury Frequency (LTIF) is a metric used to measure workplace safety. LTIF measures the number of workplace incidents causing an employee to miss the following day's work per million hours worked. The Group's LTIF rate for 2019 was 1.6 (2018: 1.6).

Risk Management

Overview

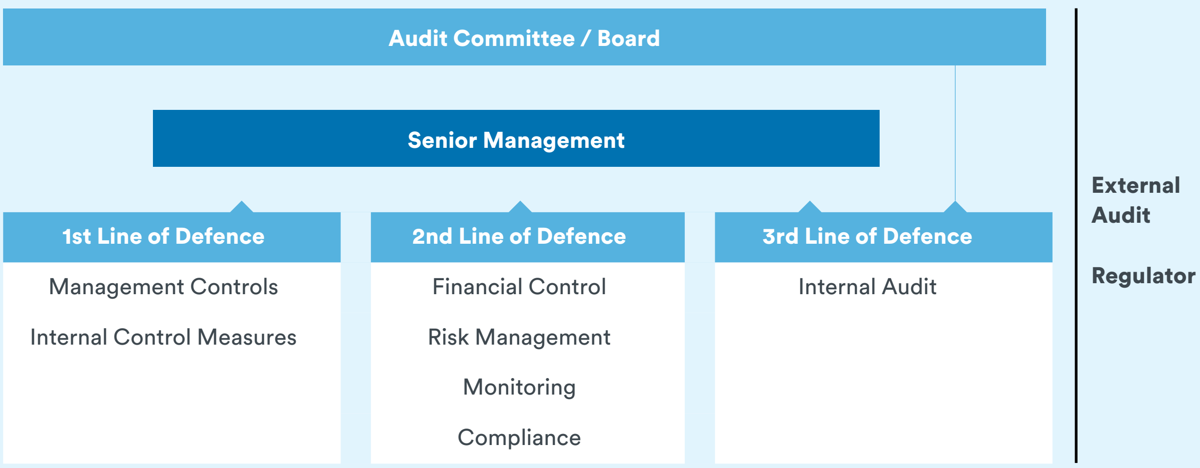
Exposure to risk is an inherent element to carrying out the business activities of the Group; the operation of ships and provision of related services. Effective risk management and internal control systems are therefore necessary to protect the Group from exposure to unnecessary risks and ensure the sustainability of the Group's business.

The Board has overall responsibility for establishing procedures to manage risk, oversight of the internal control framework and determining the nature and extent of the principal risks the Group is willing to take in order to achieve its long-term objectives. The Board has created a culture of risk awareness throughout the organisation whereby risk consideration is built into decision making processes.

This Board has delegated the monitoring of the Group's risk management and internal control systems to the Audit Committee. This assessment is carried out through the review of reports and presentations made by the Risk Management Committee (RMC) and Group Internal Audit. Further information on the Audit Committee activities is set out in its report on pages 83 to 87.

Risk Management Framework

The Group has adopted a three lines of defence framework to provide assurance that appropriate control and mitigation measures are in place for identified risks.



The first line of defence rests with management acting through their staffs who are responsible for the design, implementation and monitoring of internal control measures within their respective business areas.

The second line of defence comprises of oversight functions such as Group Finance and Group Marine and Safety. These functions are involved in policy setting and provide assurance over first line activities.

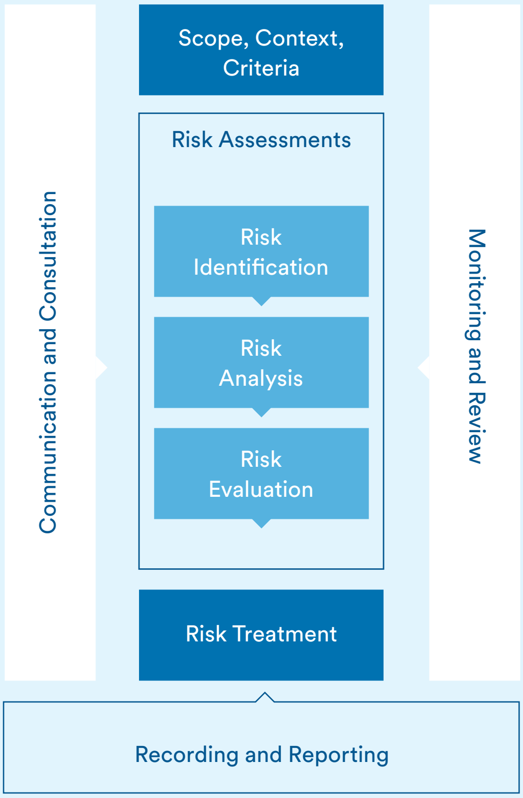
The third line of defence consists of the Group Internal Audit function, which performs independent oversight of the first two lines and reports directly to the Audit Committee on matters of internal control, compliance and governance.

Role of the Risk Management Committee

The RMC established by the Group comprises members from across the three lines of defence, as well as having Board representation. The RMC is tasked with driving the Group's risk management process including the maintenance of the Group Risk Register and coordination of risk management activities. The RMC role is one of facilitator rather than assessor. The RMC makes presentations to the Audit Committee and Board during the year outlining its work and reporting on key risk areas.

Risk Management Process

The Group's Risk Management Process is underpinned by the Risk Management Framework and is led by the RMC. The Group's process is based on the revised international standard ISO 31000 (2018), 'Risk Management – Guidelines', and provides a systematic approach to managing risks throughout the Group.



Risk identification and monitoring

The Board sets the Group's risk appetite and has identified four principal risk categories; strategic, operational, financial and IT and cyber. The Group's appetite for various risk areas is communicated through the adoption of Risk Appetite Statements. These provide context to how the Group's strategy is pursued and to which risks are assessed. The Board has a low tolerance for risks that may impact reputation in terms of safety of vessels and customers and compliance with relevant laws and regulations. The ICG Risk Code contains the Group's risk policy and details the Group's framework and risk activities.

Each business owner is responsible for ensuring comprehensive risk identification and assessment is carried out covering their sphere of responsibility. Risks are identified through various means, including the use of an identification tool guiding risk assessors through several internal and external factors in identifying potential barriers to respective objectives. Risks are assigned to risk owners whom are those persons with responsibility for the activity generating the risk. Where a risk contains multiple causes and consequences, risk owners are required to collaborate in performing a cause and consequence analysis.

Risk owners are ultimately responsible for the completion and maintenance of risk assessments across their respective risk areas. Risks are measured in terms of the likelihood of occurrence and estimated impact using a standardised scoring model. All evaluations are made from a Group perspective and are relative to Group risk appetite. Guidance tools are in place to ensure consistency is achieved across risk assessments and the Group.

Existing control measures are documented and assessed within the risk assessment forms in determining net risk scores. All risk assessments are reviewed by members of the RMC before they are released to the Group Risk Register. The RMC and risk owners can prescribe the implementation of further control measures at the review stage.

Risk Management
Continued

The Group Risk Register is the central online repository for documenting, assessing and prioritising risks, and for documenting and prescribing control measures. The Register forms a significant portion of the Group's risk management process.

The Group Risk Register is reviewed on a regular basis by the RMC. Any necessary changes to the Group Risk Register are identified throughout the year through the occurrence of a risk event, via quarterly RMC meetings, from Internal Audit reviews or through new risk assessments completed. The RMC will in time develop metrics to monitor changing exposure to key risks.

Risk information within the Group Risk Register is analysed and used for reporting principal risks to the Board and for Internal Audit planning. A presentation of the Group's principal and emerging risks is made to the Board at least annually or more frequently if warranted by developments. At these presentations the Board challenges the RMC is their processes and evaluations of the principal and emerging risks identified in the context of the Group's own risk policy, risk appetite and general market developments both within and outside the industry sector.

Emerging Risks
Risk monitoring is an ongoing process to reflect the dynamic nature of the environment in which the Group operates.

The Group acknowledges two types of emerging risks that can arise. The first type are new risks that emerge in the external environment in which the Group operates. These are identified through the ongoing Group risk identification process. The second type are previously identified risks recorded in the Group Risk Register whose impact on Group activities has changed, prompting a reassessment. Emerging risks are closely monitored and assessed as their uncertain nature can result in the risks becoming significant within a short timeframe. Emerging risks currently under review at the date of this report relate to greater employer responsibility for employee welfare, greater environmental and climate awareness driving increased regulation and the potential disruption to travel and trade from the developing situation around Covid-19.

Viability assessment
The principal risks identified through the Group's risk processes have been considered by the Directors when preparing the Viability Statement on page 67, as part of their assessment of the prospects for the Group.

Principal Risks
Strategic Risks

	Description	Potential Impact	Examples of Mitigation
Commercial & Market Service disruption	The Group operates in a highly competitive environment where service reliability is a key attribute and where brand damage can be caused through mismanagement of service disruption however caused.	Loss of revenue and reputational damage.	The Group has standard processes in place for managing various types of disruptive events, including clear and timely communications with customers. Vessels have access to high resolution professional weather forecasts and regular contact is maintained with ship managers.

Operational Risks

	Description	Potential Impact	Examples of Mitigation
Health and Safety Hazardous cargo	As a pivotal supplier of maritime transport services within Ireland's external logistics chain there is potential for incidents involving hazardous cargoes during handling or shipping.	Pollution, serious personal injury and reputational damage.	Hazardous cargoes are stowed in accordance with the International Maritime Dangerous Goods Code. The Group relies on quality customers and partners to ensure cargo is adequately packed, secured and declared. Crews are trained in the response to any hazardous incident. All hazardous paperwork requirements are strictly enforced by trained personnel.
Health and Safety Risk of injury	Given the nature of the Group's activities there is risk of accidents causing serious personal injury.	Loss of life and/or serious personal injury and reputational damage.	All companies within the Group maintain up to date Safety Policies. Safety audits are carried out on all Group locations. Information, instruction, training and supervision is provided to all personnel as appropriate. The Group has put in place major incident response plans and regularly conducts drills.
Operational Compliance People trafficking	As the Group operates international maritime services there is a risk that our services are used for people trafficking within cargo transport units.	Serious health risks to refugees or stowaways and reputational damage.	The Group complies with the International Ship and Port Facility Security (ISPS) Code. There is CCTV and 24-hour security at terminals. There is close liaison in place with the relevant port authorities on security measures. Additional private security is deployed at shore locations where warranted. Shore staff and crews are also given training in identifying suspicious traffic.

Risk Management
Continued

Financial Risks

	Description	Potential Impact	Examples of Mitigation
Financial Loss Major project failure	Where the Group contracts the construction of significant assets including vessels with long construction leadtimes there is risk of budget overrun arising from underestimation of costs, excess spending, or by failure in the performance of contractors.	Business interruption resulting in financial loss. Reputational damage.	Elements and objectives of major projects are clearly defined. External expertise is sought where appropriate. Any divergences from spending plans are investigated and reported to Executives. Due diligence is performed in advance on potential contractors. Contract guarantees are sought. Key milestone dates are set and monitored.
Financial Loss Inadequate insurance	The Group activities are capital intensive and concentrated in a small number of significant high value complex assets which increases the risk of inadequate insurance on new and existing assets, or on emerging risks.	Damage to assets resulting in irrecoverable losses and service disruption.	Management of insurance is performed by experienced and knowledgeable personnel. All insurances including insured values are reviewed timely prior to renewal. The Group maintains close liaison with its brokers regarding emerging risks and insurance trends.
Fraud Payment diversion	The Group incurs significant liabilities to a small number of suppliers which generates the risk that payments might be diverted to incorrect bank accounts.	Financial loss and potential reputational damage.	All invoices are reviewed by the relevant managers. All vendor bank account details are subject to a documented callback verification. Dual management authorisation is required for all payments in banking systems. There is a Group Social Engineering Policy in place which is circulated to relevant personnel, who are also required to undertake online awareness modules.
Volatility Fuel costs	The Group consumes fuel oils (accounting for 20% of 2019 operating costs) which are traded commodities and subject to significant unpredictable price fluctuation.	Increase in cost base, reducing profitability.	Group policy has been to purchase these commodities in the spot markets and to remain unhedged. The Group operates a dynamic surcharge mechanism with the Group's freight customers which allows for prearranged price adjustments in line with Euro fuel costs. In the passenger sector, in addition to fixed environmental surcharges changes in bunker costs are included in the ticket price to the extent that market conditions will allow.

IT Systems and Cyber Risks

	Description	Potential Impact	Examples of Mitigation
Information Security	By nature of the services offered the Group requires to capture and retain personal data which creates the risk of personal data breach by whatever means.	Heavy fines imposed under GDPR and reputational damage.	The Group has documented data protection impact assessments on all activities. Personal data is maintained in accordance with retention requirements. All mobile devices are encrypted. Compliance is assessed by the Group's Data Protection Officer and Group Internal Audit.
Cyber Threats	The Group relies on information technology systems to support its business activities. These systems are connected to customers and the internet generally which makes the Group susceptible to cyber-attacks affecting the availability of systems.	Business interruption resulting from spread of virus to critical systems and reputational damage.	Group policy is to only use licensed software providers. Anti-virus software is in place on all PCs. Security information and event management (SIEM) system is in place to detect infections quickly. All staff are required to undertake security awareness training. The Group has documented and rehearsed incident response plans in place.

Our Fleet

W.B. Yeats

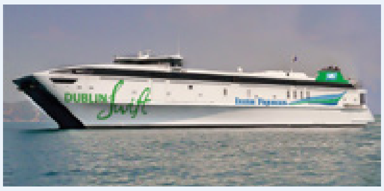
Year Built	2018
Acquired	2018
Gross Tonnage	54,975
No. Engines	4
Speed	22.5 knots
Lane Metres	2,800
Car Capacity	1,216
Passenger Capacity	1,885
Beds	1,706

Ulysses

Year Built	2001
Acquired	2001
Gross Tonnage	50,938
No. Engines	4
Speed	22 knots
Lane Metres	4,100
Car Capacity	1,342
Passenger Capacity	1,875
Beds	186

Isle of Inishmore

Year Built	1997
Acquired	1997
Gross Tonnage	34,031
No. Engines	4
Speed	21.5 knots
Lane Metres	2,100
Car Capacity	855
Passenger Capacity	2,200
Beds	208



Dublin Swift

(formerly HSC Westpac Express)

Year Built	2001
Acquired	2016
Gross Tonnage	8,403
No. Engines	4
Speed	35 knots
Lane Metres	-
Car Capacity	251
Passenger Capacity	817
Beds	-

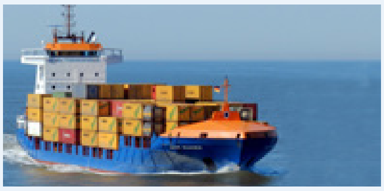
Epsilon (chartered in)

Year Built	2011
Acquired	chartered-in
Gross Tonnage	26,375
No. Engines	2
Speed	23 knots
Lane Metres	2,800
Car Capacity	150
Passenger Capacity	500
Beds	272

Hull 777 (under construction)*

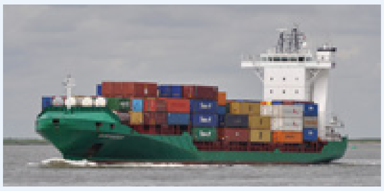
Year Built	2020
Acquired	Late 2020
Gross Tonnage	67,300
No. Engines	4
Speed	23 knots
Lane Metres	5,610
Car Capacity	1,526
Passenger Capacity	1,800
Beds	608

* Subject to final certificate



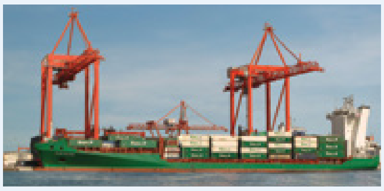
Ranger

Year Built	2005
Acquired	2015
Gross Tonnage	7,852
Deadweight	9,300
Capacity	803 TEU



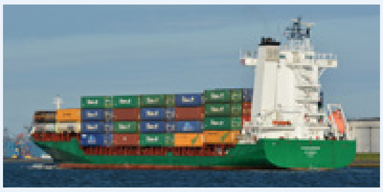
Elbfeeder

Year Built	2008
Acquired	2015
Gross Tonnage	8,246
Deadweight	11,157
Capacity	974 TEU



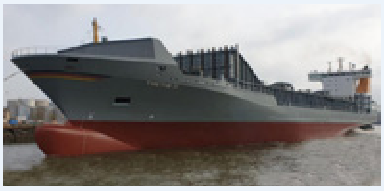
Elbtrader

Year Built	2008
Acquired	2015
Gross Tonnage	8,246
Deadweight	11,153
Capacity	974 TEU



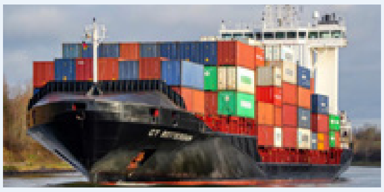
Elbcarrier

Year Built	2007
Acquired	2015
Gross Tonnage	8,246
Deadweight	11,166
Capacity	974 TEU



Thetis D

Year Built	2009
Acquired	2019
Gross Tonnage	17,488
Deadweight	17,861
Capacity	1,421 TEU

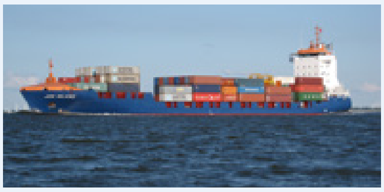


CT Rotterdam

Year Built	2009
Acquired	2019
Gross Tonnage	8,273
Deadweight	11,157
Capacity	974 TEU

Endurance (chartered in)

Year Built	2005
Acquired	chartered-in
Gross Tonnage	7,642
Deadweight	9,146
Capacity	750 TEU



Mirror (chartered in)

Year Built	2007
Acquired	chartered-in
Gross Tonnage	7,852
Deadweight	9,344
Capacity	803 TEU


I HAVE
SAILED
THE SEAS
IRISH FERRIES
THAT IS NO COUNTRY FOR OLD MEN. THE YOUNG
IN ONE ANOTHER'S ARMS, BIRDS IN THE TREES,
—THOSE DYING GENERATIONS—AT THEIR SONG,
THE SALMON-FALLS, THE MACKEREL-CROWDED SEAS,
FISH, FLESH, OR FOWL, COMMEND ALL SUMMER LONG
WHATEVER IS BEGOTTEN, BORN, AND DIES.
CAUGHT IN THAT SENSUAL MUSIC ALL NEGLECT
MONUMENTS OF UNAGEING INTELLECT.
– Sailing to Byzantium
W.B. Yeats

Executive Management Team

Eamonn Rothwell
BComm, MBS, FCCA, CFA UK
Chief Executive Officer

Eamonn Rothwell, aged 64, has been a Director for 33 years having been appointed as a non-executive Director in 1987 and subsequently to the position of Chief Executive Officer in 1992. He is also a Director of Interferry European Office A.I.S.B.L. He is a former Director of The United Kingdom Mutual War Risks Association Limited, Interferry Inc and The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. He is a past executive Director of former stockbrokers NCB Group, now part of Investec Bank. Prior to that, he worked with Allied Irish Banks plc and Fáilte Ireland (The Irish Tourist Board).

David Ledwidge FCA, BSc (Mgmt)
Chief Financial Officer

David Ledwidge, aged 40, was appointed to the Board on 3 March 2016. David joined the Group in 2006 from professional services firm Deloitte where he qualified as a Chartered Accountant. He has held various financial positions within the Group, including Group Risk Accountant, and most recently as Finance Director of Irish Ferries. He was appointed to his current role as Group Chief Financial Officer in May 2015.

Andrew Sheen MSc, BEng(Hons), CEng, FIMarEST, FRINA.
Managing Director – Ferries division

Andrew Sheen, aged 48, a Chartered Engineer, has been involved in shipping for over 29 years and has worked with Irish Ferries in a variety of Operational Roles for over 14 years. He re-joined ICG from the UK Maritime & Coastguard Agency and has been a Director of Irish Ferries since 2013. He was appointed to his current role as Managing Director of the Ferries division in March 2015. He is currently President of the Irish Chamber of Shipping and is a Director of the European Community Ship Owners Association and the International Chamber of Shipping.

Declan Freeman FCA
Managing Director – Container and Terminal division

Declan Freeman, aged 44, joined the Group in 1999 from professional services firm Deloitte where he qualified as a Chartered Accountant. He has worked in a number of financial and general management roles in the Group up to his appointment as Managing Director of Eucon in 2011. He was appointed to his current role as Managing Director of the Container and Terminal division in 2012.