Irish Continental Group

# 2018

# Half Year Report

## THURSDAY 30 AUGUST 2018

# INTERIM MANAGEMENT REPORT

## FOR THE HALF YEAR ENDED 30 JUNE 2018

Irish Continental Group plc (ICG) the leading Irish-based maritime transport group, reports its financial performance for the half year ended 30 June 2018.

### Highlights

| Financial summary | Six months to 30 June | | |
|---|---|---|---|
| | 2018 | 2017 | Change |
| Revenue | €157.2m | €156.1m | +0.7% |
| EBITDA (pre non-trading items) | €26.1m | €29.6m | -11.8% |
| EBIT (including non-trading items) | €30.1m | €48.4m | -37.8% |
| Basic earnings per share | 15.3c | 22.8c | -32.9% |
| Adjusted earnings per share | 8.1c | 9.3c | -12.9% |
| Net cash | €54.6m | €26.7m | - |

| Volume movements | Six months to 30 June | | |
|---|---|---|---|
| | 2018 '000 | 2017 '000 | Change |
| RoRo units | 143.1 | 138.6 | +3.2% |
| Cars | 170.9 | 174.5 | -2.1% |
| Containers shipped (teu) | 164.6 | 163.1 | +0.9% |
| Port lifts | 154.8 | 147.2 | +5.2% |

- EBITDA reduction of €3.5m principally due to an EBITDA reduction of €3.6 million from external charter activities following the sale of vessels Jonathan Swift and Kaitaki
- Jonathan Swift sold in April 2018 for a cash consideration of €15.5 million (profit before tax of €13.7 million) following the May 2017 sale of the Kaitaki for a cash consideration of €45.0 million (profit before tax of €29.3 million)
- Fuel costs increase €2.8 million (14.3%) to €22.4 million
- Delay in delivery of W.B. Yeats cruise ferry by shipbuilder affected planned schedules in 2018
- Technical difficulties on flagship Ulysses reduced fleet capacity in June 2018 and into July 2018
- Additional fleet investment of €165.2 million announced in January 2018
- Interim dividend increased by 5% to 4.21 cent, (2017: 4.01cent)

Commenting on the results Chairman John B McGuckian said:

"I am pleased to report a resilient performance in the first six months of the financial year with growth in revenue of 0.7% to €157.2 million. This performance for the first half of the financial year is underpinned by increased freight volumes and good volume growth in the container and terminal division. While our first half EBITDA is down €3.5 million on the same period in the prior year, it should be noted that this is principally due to the reduced chartering income in the Group following the sale of the Kaitaki and Jonathan Swift which were sold for a combined total of €60.5 million in cash (profit of €42.4 million). Summer trading has been difficult for the ferries division principally due to technical difficulties on the flagship Ulysses and the late delivery of the W.B. Yeats. We would like to apologise again for any disruption these schedule changes caused to our tourism and freight customers. We look forward to the delivery of the W.B. Yeats in late 2018 which will bring cost savings and significant additional earnings potential for the group."

**Enquiries:**

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# INTERIM MANAGEMENT REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2018 - CONTINUED

## Results

| Financial Highlights | Six months to 30 June | | Change % | Full Year |
|---|---|---|---|---|
| | 2018 | 2017 | | 2017 |
| Revenue | €157.2m | €156.1m | +0.7% | €335.1m |
| EBITDA (pre non-trading items) | €26.1m | €29.6m | -11.8% | €81.0m |
| EBIT* (including non-trading items) | €30.1m | €48.4m | -37.8% | €89.0m |

*Non-trading items €13.7 million 30 June 2018 (30 June 2017: €29.3 million, 31 December 2017: €28.7 million)

The Board of Irish Continental Group plc (ICG) reports that, in the seasonally less profitable first half of the year, the Group recorded revenue of €157.2 million compared with €156.1 million in the same period in 2017, an increase of 0.7%. Earnings before interest, tax, depreciation and amortisation (EBITDA) before non-trading items were €26.1 million compared with €29.6 million in the same period in 2017. The decline in EBITDA was principally due to a €3.6 million reduction in external charter earnings following the sale of the Jonathan Swift in April 2018 and sale of the Kaitaki in the prior year. Group fuel costs increased by €2.8 million (14.3%) to €22.4 million from €19.6 million. Non-trading items before tax comprising gains on disposal of vessels of €13.7 million (30 June 2017: €29.3 million) were recognised in the period. Earnings before interest and tax (EBIT) were €30.1 million compared with €48.4 million in 2017. Profit before tax was €29.7 million compared with €47.5 million in the first half of 2017. The tax charge amounted to €0.6 million (2017: €4.5 million).

There was a net finance charge of €0.4 million (2017: €0.9 million) which includes net bank interest payable of €0.5 million (2017: €0.8 million) and a net pension interest income of €0.1 million (2017: cost €0.1 million). Basic EPS was 15.3c compared with 22.8c in the first half of 2017. Adjusted EPS (before non-trading items and net pension interest cost) amounted to 8.1c (2017: 9.3c).

## Operational Review

### Ferries Division

| Financial Highlights | Six months to 30 June | | Change % | Full Year |
|---|---|---|---|---|
| | 2018 | 2017 | | 2017 |
| Revenue* | €90.9m | €93.7m | -3.0% | €212.1m |
| EBITDA (pre non-trading items) | €18.8m | €22.9m | -17.9% | €67.3m |
| EBIT** (including non-trading items) | €24.1m | €43.0m | -44.0% | €77.8m |

*Includes intersegment revenue of €3.5 million (30 June 2017: €3.4 million)
**Non-trading items €13.7 million 30 June 2018 (30 June 2017: €29.3 million, 31 December 2017: €28.7 million)

| Operational Highlights | Six months to 30 June | | Change % | Full Year |
|---|---|---|---|---|
| | 2018 | 2017 | | 2017 |
| Volumes | '000 | '000 | | '000 |
| Cars | 170.9 | 174.5 | -2.1% | 424.0 |
| Passengers | 679.7 | 700.4 | -2.9% | 1,649.8 |
| RoRo freight | 143.1 | 138.6 | +3.2% | 287.5 |

The division comprises Irish Ferries, a leading provider of passenger and freight ferry services between Ireland and both the UK and Continental Europe, and the chartering of vessels to third parties. Irish Ferries operated 2,428 sailings in the period, 102 less than in the prior period.

Revenue in the division was €90.9 million (2017: €93.7 million) while EBITDA was €18.8 million (2017: €22.9 million). EBIT decreased to €24.1 million (2017: €43.0 million).

In the first half of 2018 total cars carried were 170,900, down 2.1% on the same period in the previous year. Total passenger carryings decreased by 2.9% to 679,700 in the period. RoRo freight volumes were up 3.2% to 143,100 units, when compared with the first half of 2017.

# INTERIM MANAGEMENT REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2018 - CONTINUED

## Operational Review – continued

### Ferries Division – continued

Estimates of market development on shipping routes serving the Republic of Ireland in the period compared to last year were a decline of 1.0% for tourism cars and an increase of 4.0% for RoRo freight. The Irish Ferries performance against the market was adversely affected by a major disruption to schedules on the Dublin/ Holyhead route in the final week of June due to technical difficulties affecting the flagship vessel Ulysses. These related to the Ulysses's starboard controllable pitch propeller which required an out of schedule drydock and the leadtime to machine specialist parts. This level of cancellation was unprecedented given that vessel's previous 99% schedule integrity since entering service in 2001 to 2017. While Irish Ferries undertook mitigating actions to reduce the effect of the disruption by rescheduling other vessels in its fleet, the disruption resulted in a significant reduction in Irish Ferries RoRo capacity in June.

In the prior half year, the division had benefitted from charter income on the Kaitaki which was sold in May 2017 and the Westpac Express which was redelivered to the Group in November 2017. The charter revenues earned in the half year to 30 June 2017 on these charters were €3.6 million with an EBITDA contribution of €3.6 million. The Westpac Express was renamed the Dublin Swift following an extensive refurbishment programme to bring the vessel up to Irish Ferries passenger service standards. Since April 2018 the Dublin Swift operates the Dublin Holyhead fast service replacing the Jonathan Swift which was sold. The division's other vessel chartering activities were comparable with the prior year. The container vessel Ranger remains on time charter to a third party while the other three "Elb" vessels remain on time charter to the Group's container shipping subsidiary Eucon.

### Container and Terminal Division

| Financial Highlights | Six months to 30 June | | Change % | Full Year |
|---|---|---|---|---|
| | 2018 | 2017 | | 2017 |
| Revenue* | €70.4m | €66.4m | +6.0% | €131.9m |
| EBITDA | €7.3m | €6.7m | +9.0% | €13.7m |
| EBIT | €6.0m | €5.4m | +11.1% | €11.2m |

*Includes intersegment revenue of €0.6 million (30 June 2017: €0.6 million)

| Operational Highlights | Six months to 30 June | | Change % | Full Year |
|---|---|---|---|---|
| | 2018 | 2017 | | 2017 |
| Volumes | '000 | '000 | | '000 |
| Containers shipped (teu*) | 164.6 | 163.1 | +0.9% | 321.4 |
| Port lifts | 154.8 | 147.2 | +5.2% | 296.8 |

*teu: twenty foot equivalent units

The Container and Terminal Division includes the intermodal shipping line Eucon as well as the division's strategically located container terminals in Dublin and in Belfast.

Revenue in the division increased by 6.0% to €70.4 million (2017: €66.4 million), EBITDA increased to €7.3 million (2017: €6.7 million) while EBIT increased to €6.0 million (2017: €5.4 million).

Total containers shipped were up 0.9% at 164,600 teu (2017: 163,100 teu). Containers handled at the Group's terminals in Dublin Ferryport Terminals (DFT) and Belfast Container Terminal (BCT) were up 5.2% to 154,800 lifts (2017: 147,200 lifts). DFT's volumes were up 6.0%, while BCT's lifts were up 4.0%.

# INTERIM MANAGEMENT REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2018 - CONTINUED

## Balance Sheet

A summary balance sheet as at 30 June 2018 is presented below:

| Balance Sheet | Six months to 30 June | | Full Year |
|---|---|---|---|
| | 2018 | 2017 | 2017 |
| | €m | €m | €m |
| Property, plant & equipment and intangible assets | 289.2 | 192.0 | 250.0 |
| Retirement benefit surplus | 10.0 | 7.9 | 8.1 |
| Other current assets | 64.5 | 48.1 | 44.9 |
| Cash and bank balances | 180.0 | 68.7 | 90.3 |
| **Total assets** | **543.7** | **316.7** | **393.3** |
| Non-current borrowings | 124.8 | 1.7 | 50.0 |
| Retirement benefit obligation | 2.9 | 2.9 | 3.4 |
| Other non-current liabilities | 1.7 | 1.7 | 1.5 |
| Current borrowings | 0.6 | 40.3 | 0.7 |
| Other current liabilities | 173.4 | 78.8 | 113.9 |
| **Total liabilities** | **303.4** | **125.4** | **169.5** |
| **Total equity** | **240.3** | **191.3** | **223.8** |
| **Total equity and liabilities** | **543.7** | **316.7** | **393.3** |

The principal movements in the property, plant and equipment and intangible assets in the half year to 30 June relates to progress in the construction of the two new vessels being undertaken by company Flensburger Schiffbau-Gesselschaft & Co.KG in Germany, refurbishment of the Dublin Swift, scheduled replacement expenditure less depreciation charge in the period.

The movement in other current assets in the period includes a prepayment in relation to the second new vessel announced in January 2018 of €14.9 million. The movement in other current liabilities includes seasonal cash inflows included as deferred revenue expected to unwind in the second half year of €19.9 million and an increase in the accrual in respect of work in progress balance on the W.B. Yeats of €33.1 million.

The total net surplus of all defined benefit pension schemes at 30 June 2018 was €7.1 million in comparison to a net surplus of €4.7 million at 31 December 2017. The assumptions used to value pension obligations were updated to reflect conditions at 30 June 2018 but did not have a material effect on movements in pension obligations compared to 31 December 2017.

Shareholders' equity increased to €240.3 million from €223.8 million at 31 December 2017. The movements primarily comprised of the profit for the financial period of €29.1 million, the actuarial gain arising on retirement benefit schemes of €1.8 million and less dividends paid of €15.4 million.

# INTERIM MANAGEMENT REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2018 - CONTINUED

## Cash Flow

A summary of cash flows in the half year to 30 June 2018 is presented below:

| Cash Flow | Six months to 30 June | | Full Year |
|---|---|---|---|
| | 2018 | 2017 | 2017 |
| | €m | €m | €m |
| Operating profit (EBIT)* | 30.1 | 48.4 | 89.0 |
| Non trading items | (13.7) | (29.3) | (28.7) |
| Depreciation | 9.7 | 10.5 | 20.7 |
| **EBITDA* (pre non-trading items)** | **26.1** | **29.6** | **81.0** |
| Working capital movements | 21.4 | 19.4 | (1.9) |
| Pension payments in excess of service costs | (0.5) | (0.5) | (1.1) |
| Other | 1.2 | 0.4 | 0.5 |
| **Cash generated from operations** | **48.2** | **48.9** | **78.5** |
| Interest paid | (0.4) | (0.8) | (1.1) |
| Tax paid | (0.7) | (0.5) | (5.6) |
| Capex | (31.6) | (13.2) | (17.0) |
| **Free cash flow*** | **15.5** | **34.4** | **54.8** |
| Net asset sales | 14.8 | 44.7 | 44.7 |
| Dividends | (15.4) | (14.6) | (22.2) |
| Share issue | 0.1 | 0.8 | 3.3 |
| Settlement of equity plans through market purchase of shares | - | - | (3.0) |
| **Net cash flows** | **15.0** | **65.3** | **77.6** |

*Additional information in relation to these Alternative Performance Measures ("APMs") is disclosed on page 19.

The net cash flows drove the improvement in the net cash position from €39.6 million at 31 December 2017 to €54.6 million at 30 June 2018. The net cash flows comprised EBITDA (pre non-trading items) for the period of €26.1 million, the net proceeds from the sale of the Jonathan Swift of €14.8 million and an overall positive seasonal working capital movement of €21.4 million largely attributable to higher deferred revenue balances ahead of the peak summer tourism trading. These positive movements are offset by capital expenditure outflows in the period of €31.6 million which include payments relating to the two vessels under construction, the W.B. Yeats and the second new build vessel, the Dublin Swift refurbishment and replacement expenditure. During the period the final dividend for 2017 amounting to €15.4 million was paid.

## Financing

| Net cash | Cash €m | Borrowings €m | Net Cash €m |
|---|---|---|---|
| At 1 January 2018 | 90.3 | (50.7) | 39.6 |
| Cash flows | 89.7 | (74.7) | 15.0 |
| At 30 June 2018 | 180.0 | (125.4) | 54.6 |

The net cash position of the Group at 30 June 2018 was €54.6 million, an increase of €15.0 million from the opening position at 1 January 2018. Following the refinancing programme concluded during 2017, in June 2018 the Group drew down funding of €75.0 million on a European Investment Bank facility which is repayable over 12 years at a fixed rate of 1.724%. In the same month the Group also concluded a further €80.0 million committed 12 year amortising facility with the European Investment Bank at a fixed interest rate of 1.616%. This additional facility will be utilised to part fund the second new build vessel which was announced earlier in January 2018.

# INTERIM MANAGEMENT REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2018 – CONTINUED

### Financing – continued

The borrowing facilities available to the Group at 30 June 2018 were as follows;

| Borrowing Facilities | Facility | Committed | Committed facilities drawn | Committed facilities undrawn |
|---|---|---|---|---|
| | €m | €m | €m | €m |
| Revolving Credit | 125.0 | 75.0 | - | 75.0 |
| Private Placement | 235.8 | 50.0 | 50.0 | - |
| European Investment Bank | 155.0 | 155.0 | 75.0 | 80.0 |
| Overdraft and other | 15.8 | 15.8 | 0.4 | 15.4 |
| | 531.6 | 295.8 | 125.4 | 170.4 |

At 30 June 2018 the Group had total lending facilities of €531.6 million available of which €295.8 million were committed facilities. €125.4 million of the committed facilities were drawn and a further €80.0 million were drawn post the period end. All the amounts drawn together with the post period drawing, €205.4 million in total, have been contracted at a weighted average fixed interest rate of 1.60% over the remaining terms of between 3 and 12 years. In addition to the committed lines of credit, the Group had arranged uncommitted facilities of €235.8 million with utilisation dates expiring between 2.5 and 5 years.

These facilities together with cash from operations will be used to support the long-term investment opportunities including the delivery of two new cruise ferries.

### Dividend

The Board has declared an interim dividend of 4.21 cent per ICG Unit payable on 5 October 2018 to shareholders on the register at 21 September 2018.

### Fuel

| | Six months to 30 June | | Change % | Full Year |
|---|---|---|---|---|
| | 2018 | 2017 | | 2017 |
| Fuel costs | €22.4m | €19.6m | +14.3% | €40.3m |

Group fuel costs in the first half of 2018 amounted to €22.4 million (2017: €19.6 million). The increase in fuel costs was due to the increase in the average global US Dollar cost of fuels consumed of 27% compared to the first half of 2017 offset by the benefit of average weaker Euro/ US Dollar exchange rates of 10%.

The Group has in place fuel surcharge mechanisms for freight customers across the Group which mitigated the increase in Euro fuel costs through increased surcharge revenues. In the reporting period the Group had not engaged in financial derivative trading to hedge its fuel costs.

### Fleet Update

In January 2018 the Group announced that it had entered into an agreement with the German company Flensburger Schiffbau-Gesselschaft & Co.KG (“FSG”) whereby FSG has agreed to build a second cruise ferry for ICG at a contract price of €165.2 million for expected delivery in 2020. It is intended that this vessel will service the Dublin Holyhead route alongside the existing Ulysses with the chartered Epsilon being returned to its owners.

In April the sale of the Jonathan Swift fastcraft was completed when the vessel was delivered to buyers, Balearia Eurolineas Maritimas S.A. for a consideration of €15.5 million. The profit on sale of €13.7 million is reported as a non-trading item in the period.

# INTERIM MANAGEMENT REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2018 – CONTINUED

### Fleet Update – continued

The Dublin Swift (ex Westpac Express) replaced the Jonathan Swift on the Dublin Holyhead fastcraft service. The Dublin Swift which had been redelivered to the Group from charterers in November 2017 underwent an extensive refurbishment programme to bring her up to Irish Ferries passenger service standards prior to entering service with Irish Ferries.

The W.B. Yeats, a cruise ferry currently under construction by FSG, was due to enter service with Irish Ferries during July 2018 to provide enhanced services on the overnight Dublin Cherbourg route. This vessel was launched on schedule on 19 January 2018. Due to extraordinary circumstances beyond the Group's control, the subsequent delivery of the W.B. Yeats has been delayed by FSG. This necessitated Irish Ferries cancelling until further notice the 2018 schedule of this vessel due to the unavailability of a suitable alternative vessel. Irish Ferries very much regrets the inconvenience these cancellations caused our customers 88% of whom were accommodated on alternative Irish Ferries sailings or via landbridge. The Group has not yet received a reconfirmed delivery date but the expectation is that the vessel will be delivered in late 2018. All contract payments made to FSG are covered by financial guarantees with 80% of the contract price not becoming due until delivery.

The delay in delivery of the W.B. Yeats has required alteration to the Autumn/ Winter fleet allocations but Irish Ferries will be in a position to undertake all previously provided services with the existing fleet. However certain revenue growth opportunities will be capacity constrained pending commencement into service of the W.B. Yeats.

The Ulysses entered service with Irish Ferries in 2001 and in the 16 years to 2017 achieved schedule integrity of 99%. In the final week of June 2018 at the commencement of the peak car tourism season technical issues with the vessels starboard controllable pitch propeller caused significant disruption to schedules. This disruption continued into the first four weeks of July. While Irish Ferries was able to mitigate potential losses through fleet reassignment and additional fastcraft services the disruption did have an impact in the period to 30 June 2018 and will have a further material impact on the full year results.

### Related Party Transactions

There were no related party transactions in the half year that have materially affected the financial position or performance of the Group in the period. In addition, there were no changes in related party transactions from the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of 2018.

### Principal Risks and Uncertainties

The Group has a risk management structure in place which is designed to identify, manage and mitigate the threats to the business on an ongoing basis. The principal risks and uncertainties faced by the Group as set out in detail on pages 44 to 47 of the 2017 Annual Report are; serious accident or incident, mechanical and other failure, hazardous accidents, fuel contamination, competitive activity, fuel prices, economic and political events, IT systems, failure and data breach, volatility, fraud risk, and retirement benefit scheme risks.

These risks continue to be the most likely risks to affect the Group but the following are noted as likely to impact the second half year results;

- Delay in delivery of the vessel W.B. Yeats from its contractual delivery date resulting in changes to that vessels proposed 2018 schedule
- Volatility in exchange rates
- Volatility in fuel prices and continuing higher fuel costs versus the prior year

There also remains continuing uncertainty over the manner of the proposed exit of the United Kingdom from the European Union and the impact this may have on the Group's operations. This uncertainty may create both threats and opportunities though the impact cannot be reliably measured at this point. The Group maintains close contact with regulatory authorities and industry forums to monitor developments. The Group's principal tangible assets vessels are internationally mobile, having been constructed to specifications in excess of the Group's requirements. There is no indication that ferry prices in the global shipping market are being directly affected by Brexit uncertainty.
The Group actively manages these risks and all other risks through its risk management structure.

# INTERIM MANAGEMENT REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2018 – CONTINUED

## Events after the Reporting Period

The Board has declared an interim dividend of 4.21 cent per ICG Unit in respect of 2018.

There have been no other material events affecting the Group to report since 30 June 2018.

## Going Concern

After making enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months. In forming this view the Directors have considered the future cash requirements of the Group's business in the context of the economic environment over the next 12 months, the principal risks and uncertainties facing the Group, the Group's budget plan and the medium term strategy of the Group, including capital investment plans. The future cash requirements have been compared to bank facilities which are available to the Group. For this reason, they continue to adopt the going concern basis in preparing this half yearly financial report.

## Current Trading and Outlook

### Ferries

The performance of the Ferries Division in the second half of 2018 up to 25 August has been significantly affected by the major disruptions to our schedules on the Dublin to Holyhead route during July. As mentioned earlier, the Ulysses missed 5 weeks of summer service due to technical issues with 4 of these weeks falling into the second half of the year. The disruption not only affected Irish Ferries carryings but also the overall performance of the markets in which we operate due to capacity constraints in what was the peak car tourism period.

Activity in the Ferries Division in the period from 1 July 2018 to 25 August 2018 compared to the same period last year was;

- Car carryings were 106,600 cars, a decrease of 8.5%
- Total passengers carried were 413,200 passengers, a decrease of 11.0%
- RoRo freight carryings were 37,800, a decrease of 11.7%

Cumulatively in the period from 1 January 2018 to 25 August 2018 compared to the same period last year activity was;

- Car carryings were 277,600 cars, a decrease of 4.6%
- Total passengers carried were 1,092,900 passengers, a decrease of 6.2%
- RoRo freight carryings were 180,900 units, a decrease of 0.3%

### Container and Terminal

Activity in the Container and Terminal division in the period from 1 July 2018 to 25 August 2018 compared to the same period last year was;

- Containers shipped were 49,600 teu, an increase of 4.6%
- Port lifts were 46,600 lifts, an increase of 5.2%

Cumulatively in the period from 1 January 2018 to 25 August 2018, compared to the same period last year activity was;

- Containers shipped were 214,200 teu, an increase of 1.8%
- Port lifts were 201,400 lifts, an increase of by 5.2%

In the absence of unforeseen circumstances, the outlook for the Group for the remainder of the year is for growth in our freight businesses in line with market trends overall. Additional marketing initiatives are being undertaken to drive the recovery in our tourism business. We look forward to the delivery of the W.B. Yeats later in 2018 which will enable the Group to bring its strategic growth initiatives back on schedule. With our well positioned balance sheet, the Group remains in a strong position to explore further growth opportunities.

# INTERIM MANAGEMENT REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2018 – CONTINUED

### Auditor Review

This half yearly financial report has neither been audited nor reviewed by the auditors of the Group.

### Forward-Looking Statements

This report contains certain forward-looking statements. 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 forward-looking 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 report 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.

### Website

This half yearly financial report and Interim Management Report are available on the Group's website www.icg.ie.

**John B. McGuckian**
Chairman
29 August 2018

# RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Half Yearly Financial Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended), the related Transparency Rules of the Central Bank of Ireland and IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Each of the directors confirm that to the best of their knowledge and belief:

- the Group Condensed Financial Statements for the half year ended 30 June 2018 have been prepared in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34 Interim Financial Reporting) adopted pursuant to the procedure provided for under Article 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002;
- the Interim Management Report includes a fair review of the important events that have occurred during the first six months of the financial year, their impact on the Group Condensed Financial Statements for the half year ended 30 June 2018, and a description of the principal risks and uncertainties for the remaining six months; and
- the Interim Management Report includes a fair review of related party transactions that have occurred during the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related parties transactions described in the last Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

On behalf of the Board

| **Eamonn Rothwell** | **David Ledwidge** |
|---|---|
| Director | Director |

29 August 2018

# CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 30 JUNE 2018

| | Notes | Half year ended 30 Jun 2018 | Half year ended 30 Jun 2017 | Year ended 31 Dec 2017 |
|---|---|---|---|---|
| | | Unaudited | Unaudited | Audited |
| | | €m | €m | €m |
| Revenue | 3 | 157.2 | 156.1 | 335.1 |
| Depreciation and amortisation | | (9.7) | (10.5) | (20.7) |
| Employee benefits expense | | (11.3) | (10.0) | (22.5) |
| Other operating expenses | | (119.8) | (116.5) | (231.6) |
| | | **16.4** | **19.1** | **60.3** |
| Non- trading items | 5 | 13.7 | 29.3 | 28.7 |
| **Operating profit** | | **30.1** | **48.4** | **89.0** |
| Finance income | | 0.1 | - | - |
| Finance costs | | (0.5) | (0.9) | (1.3) |
| **Profit before taxation** | | **29.7** | **47.5** | **87.7** |
| Income tax expense | | (0.6) | (4.5) | (4.4) |
| **Profit for the financial period: all attributable to equity holders of the parent** | | **29.1** | **43.0** | **83.3** |
| **Earnings per ordinary share** – expressed in cent per share | | | | |
| Basic | 6 | 15.3c | 22.8c | 44.1c |
| Diluted | 6 | 15.2c | 22.6c | 43.8c |

The accompanying notes form an integral part of the half-year report.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2018

| | Notes | Half year ended 30 Jun 2018 Unaudited €m | Half year ended 30 Jun 2017 Unaudited €m | Year ended 31 Dec 2017 Audited €m |
|---|---|---|---|---|
| **Profit for the financial period** | | **29.1** | **43.0** | **83.3** |
| **Items that may be reclassified subsequently to profit or loss:** | | | | |
| Net settlement of cash flow hedge | | - | 0.2 | 0.2 |
| Exchange differences on translation of foreign operations | | - | 0.2 | (0.6) |
| **Items that will not be reclassified subsequently to profit or loss:** | | | | |
| Actuarial gain on defined benefit pension schemes | 11 | 1.8 | 17.6 | 17.5 |
| Deferred tax on defined benefit pension schemes | | (0.2) | (0.1) | (0.2) |
| **Other comprehensive income for the financial period** | | **1.6** | **17.9** | **16.9** |
| **Total comprehensive income for the financial period: all attributable to equity holders of the parent** | | **30.7** | **60.9** | **100.2** |

The accompanying notes form an integral part of the half-yearly report.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

| | Notes | Half year ended 30 Jun 2018 Unaudited €m | Half year ended 30 Jun 2017 Unaudited €m | Year ended 31 Dec 2017 Audited €m |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 7 | 288.8 | 191.4 | 249.5 |
| Intangible assets | | 0.4 | 0.6 | 0.5 |
| Retirement benefit surplus | 11 | 10.0 | 7.9 | 8.1 |
| | | **299.2** | **199.9** | **258.1** |
| **Current assets** | | | | |
| Inventories | | 2.8 | 2.2 | 2.7 |
| Trade and other receivables | | 61.7 | 45.9 | 42.2 |
| Cash and bank balances | 8 | 180.0 | 68.7 | 90.3 |
| | | **244.5** | **116.8** | **135.2** |
| **Total assets** | | **543.7** | **316.7** | **393.3** |
| **Equity and liabilities** | | | | |
| **Equity** | | | | |
| Share capital | | 12.4 | 12.3 | 12.3 |
| Share premium | | 18.9 | 16.4 | 18.9 |
| Other reserves | | (11.9) | (12.2) | (13.1) |
| Retained earnings | | 220.9 | 174.8 | 205.7 |
| **Equity attributable to equity holders** | | **240.3** | **191.3** | **223.8** |
| **Non-current liabilities** | | | | |
| Borrowings | 8 | 124.8 | 1.7 | 50.0 |
| Deferred tax liabilities | | 1.0 | 0.9 | 0.8 |
| Provisions | | 0.5 | 0.6 | 0.5 |
| Deferred grant | | 0.2 | 0.2 | 0.2 |
| Retirement benefit obligation | 11 | 2.9 | 2.9 | 3.4 |
| | | **129.4** | **6.3** | **54.9** |
| **Current liabilities** | | | | |
| Borrowings | 8 | 0.6 | 40.3 | 0.7 |
| Trade and other payables | | 172.0 | 72.3 | 112.4 |
| Current income tax liabilities | | 0.8 | 5.8 | 0.9 |
| Provisions | | 0.5 | 0.6 | 0.5 |
| Deferred grant | | 0.1 | 0.1 | 0.1 |
| | | **174.0** | **119.1** | **114.6** |
| **Total liabilities** | | **303.4** | **125.4** | **169.5** |
| **Total equity and liabilities** | | **543.7** | **316.7** | **393.3** |

The accompanying notes form an integral part of the half-yearly report.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2018 - UNAUDITED

| | Share Capital €m | Share Premium €m | Other Reserves €m | Retained Earnings €m | Total €m |
|---|---|---|---|---|---|
| **Balance at 1 January 2018** | **12.3** | **18.9** | **(13.1)** | **205.7** | **223.8** |
| Impact of adopting IFRS 15 at 1 January 2018 | - | - | - | (0.1) | (0.1) |
| **Restated balance at 1 January 2018** | **12.3** | **18.9** | **(13.1)** | **205.6** | **223.7** |
| Profit for the financial period | - | - | - | 29.1 | 29.1 |
| Other comprehensive income | - | - | - | 1.6 | 1.6 |
| **Total comprehensive income for the financial period** | **-** | **-** | **-** | **30.7** | **30.7** |
| Employee share-based payments expense | - | - | 1.2 | - | 1.2 |
| Share issue | 0.1 | - | - | - | 0.1 |
| Dividends (note 4) | - | - | - | (15.4) | (15.4) |
| | **0.1** | **-** | **1.2** | **15.3** | **16.6** |
| **Balance at 30 June 2018** | **12.4** | **18.9** | **(11.9)** | **220.9** | **240.3** |
| **Analysed as follows:** | | | | | |
| Share capital | | | | | 12.4 |
| Share premium | | | | | 18.9 |
| Other reserves | | | | | (11.9) |
| Retained earnings | | | | | 220.9 |
| | | | | | **240.3** |

Other Reserves comprise the following:

| | Capital Reserve €m | Share Options Reserve €m | Translation Reserve €m | Total €m |
|---|---|---|---|---|
| **Balance at 1 January 2018** | **7.3** | **1.5** | **(21.9)** | **(13.1)** |
| Employee share-based payments expense | - | 1.2 | - | 1.2 |
| | **-** | **1.2** | **-** | **1.2** |
| **Balance at 30 June 2018** | **7.3** | **2.7** | **(21.9)** | **(11.9)** |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2017 - UNAUDITED

| | Share Capital €m | Share Premium €m | Other Reserves €m | Retained Earnings €m | Total €m |
|---|---|---|---|---|---|
| **Balance at 1 January 2017** | **12.2** | **15.7** | **(11.8)** | **128.3** | **144.4** |
| Profit for the financial period | - | - | - | 43.0 | 43.0 |
| Other comprehensive income | - | - | (0.1) | 18.0 | 17.9 |
| **Total comprehensive income for the financial period** | **-** | **-** | **(0.1)** | **61.0** | **60.9** |
| Employee share-based payments expense | - | - | 0.4 | - | 0.4 |
| Share issue | 0.1 | 0.7 | - | - | 0.8 |
| Dividends (note 4) | - | - | - | (14.6) | (14.6) |
| Transferred to retained earnings on exercise of share options | - | - | (0.7) | 0.7 | - |
| Settlement of equity plans through market purchase of shares | - | - | - | (0.6) | (0.6) |
| | **0.1** | **0.7** | **(0.4)** | **46.5** | **46.9** |
| **Balance at 30 June 2017** | **12.3** | **16.4** | **(12.2)** | **174.8** | **191.3** |
| **Analysed as follows:** | | | | | |
| Share capital | | | | | 12.3 |
| Share premium | | | | | 16.4 |
| Other reserves | | | | | (12.2) |
| Retained earnings | | | | | 174.8 |
| | | | | | **191.3** |

Other Reserves comprise the following:

| | Capital Reserve €m | Share Options Reserve €m | Hedging Reserve €m | Translation Reserve €m | Total €m |
|---|---|---|---|---|---|
| **Balance at 1 January 2017** | **7.3** | **2.4** | **(0.2)** | **(21.3)** | **(11.8)** |
| Other comprehensive income | - | - | 0.2 | (0.3) | (0.1) |
| Employee share-based payments expense | - | 0.4 | - | - | 0.4 |
| Transferred to retained earnings on exercise of share options | - | (0.7) | - | - | (0.7) |
| | **-** | **(0.3)** | **0.2** | **(0.3)** | **(0.4)** |
| **Balance at 30 June 2017** | **7.3** | **2.1** | **-** | **(21.6)** | **(12.2)** |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR FINANCIAL ENDED 31 DECEMBER 2017 - AUDITED

| | Share Capital €m | Share Premium €m | Other Reserves €m | Retained Earnings €m | Total €m |
|---|---|---|---|---|---|
| **Balance at 1 January 2017** | **12.2** | **15.7** | **(11.8)** | **128.3** | **144.4** |
| Profit for the financial year | - | - | - | 83.3 | 83.3 |
| Other comprehensive income | - | - | (0.4) | 17.3 | 16.9 |
| **Total comprehensive income for the financial year** | **-** | **-** | **(0.4)** | **100.6** | **100.2** |
| Employee share-based payments expense | - | - | 1.1 | - | 1.1 |
| Share issue | 0.1 | 3.2 | - | - | 3.3 |
| Dividends (note 4) | - | - | - | (22.2) | (22.2) |
| Settlement of equity plans through market purchase of shares | - | - | - | (3.0) | (3.0) |
| Transferred to retained earnings on exercise of share options | - | - | (2.0) | 2.0 | - |
| | **0.1** | **3.2** | **(1.3)** | **77.4** | **79.4** |
| **Balance at 31 December 2017** | **12.3** | **18.9** | **(13.1)** | **205.7** | **223.8** |
| **Analysed as follows:** | | | | | |
| Share capital | | | | | 12.3 |
| Share premium | | | | | 18.9 |
| Other reserves | | | | | (13.1) |
| Retained earnings | | | | | 205.7 |
| | | | | | **223.8** |

Other Reserves comprise the following:

| | Capital Reserve €m | Share Options Reserve €m | Hedging Reserve €m | Translation Reserve €m | Total €m |
|---|---|---|---|---|---|
| **Balance at 1 January 2017** | **7.3** | **2.4** | **(0.2)** | **(21.3)** | **(11.8)** |
| Other comprehensive income | - | - | 0.2 | (0.6) | (0.4) |
| Employee share-based payments expense | - | 1.1 | - | - | 1.1 |
| Transferred to retained earnings on exercise of share options | - | (2.0) | - | - | (2.0) |
| | **-** | **(0.9)** | **0.2** | **(0.6)** | **(1.3)** |
| **Balance at 31 December 2017** | **7.3** | **1.5** | **-** | **(21.9)** | **(13.1)** |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2018

| | Notes | Half year ended 30 Jun 2018 Unaudited €m | Half year ended 30 Jun 2017 Unaudited €m | Year ended 31 Dec 2017 Audited €m |
|---|---|---|---|---|
| **Net cash inflow from operating activities** | 12 | **47.1** | **47.6** | **71.8** |
| **Cash flow from investing activities** | | | | |
| Net proceeds on disposal of property, plant and equipment | 5 | 14.8 | 44.7 | 44.7 |
| Purchases of property, plant and equipment | | (31.6) | (13.2) | (17.0) |
| **Net cash (outflow)/ inflow from investing activities** | | **(16.8)** | **31.5** | **27.7** |
| **Cash flow from financing activities** | | | | |
| Dividends paid to equity holders of the Company | 4 | (15.4) | (14.6) | (22.2) |
| Repayments of bank borrowings | | - | (37.7) | (77.7) |
| Repayments of obligations under finance leases | | (0.3) | (0.4) | (0.7) |
| Proceeds on issue of ordinary share capital | | 0.1 | 0.8 | 3.3 |
| Settlement of equity plans through market purchase of shares | | - | (0.6) | (3.0) |
| New bank loans raised | 8 | 75.0 | - | 49.0 |
| **Net cash inflow/ (outflow) from financing activities** | | **59.4** | **(52.5)** | **(51.3)** |
| Net increase in cash and cash equivalents | | 89.7 | 26.6 | 48.2 |
| **Cash and cash equivalents at the beginning of the period** | | **90.3** | **42.2** | **42.2** |
| Effect of foreign exchange rate changes | | - | (0.1) | (0.1) |
| **Cash and cash equivalents at the end of the period** | 8 | **180.0** | **68.7** | **90.3** |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

## 1. General information

The Group Condensed Financial Statements are considered non-statutory financial statements for the purposes of the Companies Act 2014 and in compliance with section 340(4) of that Act we state that:

- the Group Condensed Financial Statements for the half year to 30 June 2018 have been prepared to meet our obligation to do so under the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended);
- the Group Condensed Financial Statements for the half year to 30 June 2018 do not constitute the statutory financial statements of the Group;
- The figures disclosed relating to 31 December 2017 have been derived from the statutory financial statements for the financial year ended 31 December 2017 which were audited, received an unqualified audit report and have been filed with the Registrar of Companies; and
- The interim figures included in the Group Condensed Financial Statements for the six months ended 30 June 2018 and the comparative amounts for the six months ended 30 June 2017 have been neither audited nor reviewed.

Certain financial measures set out in our Half Yearly Report to 30 June 2018 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 non-trading items*, interest, tax, depreciation and amortisation. | 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 and tax. | Measures the Group’s earnings from ongoing operations. |
| Free cash flow | Free cash flow comprises operating cash flow less capital expenditure. | Assesses the availability to the Group of funds for reinvestment or for return to shareholders. |
| Net debt | Net debt comprises total borrowings less cash and cash equivalents. | Measures the Group’s ability to repay its debts if they were to fall due immediately. |
| Adjusted EPS | EPS is adjusted to exclude non-trading items and net interest cost on defined benefit obligations | A key indicator of long term financial performance and value creation of a public listed company. |

*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.

In addition to the above APMs the Group utilises additional APMs of Return on Average Capital Employed and Schedule Integrity in relation to full year performance which are not meaningful at the half year due to seasonality.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2018

## 2. Accounting policies

The Group Condensed Financial Statements for the six months ended 30 June 2018 have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended), the related Transparency Rules of the Central Bank of Ireland and with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The accounting policies and methods of computation applied in preparing these Group Condensed Financial Statements are consistent with those set out in the Group Annual Report for the financial year ended 31 December 2017, which is available at www.icg.ie, except for the application of IFRS 9 'Financial instruments' and IFRS15 'Revenue from contracts with customers' as of 1 January 2018.

As required by IAS 34 the nature and effect of these changes are disclosed below. A number of amendments to IFRSs became effective for the financial year beginning on 1 January 2018 which did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

**IFRS 9 Financial Instruments**

In the current period the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

**a) Classification and measurement of financial assets**
The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 January 2018 and has not applied the requirements to instruments that had already been derecognised as at 1 January 2018. Comparative amounts have not been restated.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that on initial application of IFRS 9 the impact on the Group's financial assets as regards classification and measurement was that;

i) Financial assets previously classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

ii) The Group does not hold any financial assets which meet the criteria for classification at fair value reported in other comprehensive income or fair value reported in profit and loss.

**b) Impairment of financial assets**
In relation to the impairment of financial assets, IFRS 9 requires the application of an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

## 2. Accounting policies – continued

**IFRS 9 Financial Instruments – continued**

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised. In respect of trade receivables the Group applied the simplified approach to measuring expected credit losses using a lifetime expected loss allowance.

The application of the expected credit loss model has not resulted in any material change to the previously reported carrying value of financial assets.

**c) Classification and measurement of financial liabilities**

IFRS 9 introduced a change in the classification and measurement of financial liabilities relating to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

**d) General hedge accounting**

In accordance with IFRS 9's transition provisions for hedge accounting, the Group has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018. Hedging positions that existed during 2017 and which were closed out by 31 December 2017 were therefore not in scope of the transition provisions. Prior year amounts have not been restated.

The Group did not have any hedging positions in place at 1 January 2018 which were qualifying hedging relationships previously under IAS 39 and subsequently under IFRS 9. Therefore the application of IFRS 9 hedge accounting requirements has had no impact on the results and financial position of the Group at 1 January 2018 or in the half year ended 30 June 2018.

**e) Disclosures in relation to the initial application of IFRS 9**

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

| | Previous IAS 39 classification | IFRS 9 classification | Original IAS 39 carrying amount | IFRS 9 carrying amount |
|---|---|---|---|---|
| | | | €M | €M |
| Trade and other receivables | Loans and receivables | Amortised cost | 42.2 | 42.2 |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 90.3 | 90.3 |

The change in measurement category of the different financial assets has had no impact on their respective carrying amounts on initial application. There was no change in the classification and measurement of financial liabilities on transition to IFRS 9.

The application of IFRS 9 has had no impact on the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Statement of Financial Position and the Condensed Statement of Cash Flows in the period ended 30 June 2018.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

## 2. Accounting policies – continued

**IFRS 15 Revenue from contracts with customers**

With effect from 1 January 2018, the Group has adopted IFRS 15 Revenue from contracts with customers applying the modified retrospective approach for the first application. Using the five-step model, the Group carried out a review of the main revenue streams applying the requirements of IFRS 15 and ensured that the same principles are being applied consistently across the Group. The Group's revenue streams and recognition policy are as follows;

**a) Passenger Revenue**

For passenger revenue, the transaction price is fixed at the time of booking and each sector of travel is identified as a single performance obligation in the contract. On a one-way booking there is one sector. On a return booking there are two sectors. Passenger revenue for each performance obligation, which is based on the respective standalone selling price for each sector, is recognised over time commencing on departure and based on elapsed scheduled time to destination. Ticket breakage (i.e. deferred untraveled revenue) is recognised in full once the original booked travel date has expired based on the no refund policy in the booking terms.

**b) Ro-Ro Freight Revenue**

Similar to passenger revenue, the transaction price is fixed at the time of booking and each sector of travel is identified as a single performance obligation in the contract. On a one-way booking there is one sector. On a return booking there are two sectors. Ro-Ro freight revenue for each performance obligation, which is based on the respective standalone selling price for each sector, is recognised over time commencing on departure and based on elapsed scheduled time to destination. Where rebates are agreed, giving rise to variable consideration, revenue is recognised net of the best estimate of the most probable rebate amounts.

**c) On-Board Sales**

Revenue in relation to on-board sales in restaurants and bars is recognised at a point in time based on the transaction price at the time of sale.

**d) Retail Concessions**

Licences are provided to certain operators of on-board retail, gaming and cinema concessions based on contracted percentages of revenue earned by the licence holders. Revenue is recognised based the related revenues of the licence holders.

**e) Container Shipping**

The transaction price is fixed at the time of booking, with the identifiable performance obligation to transport the booked unit from the collection point to the delivery point, i.e. one sector. Container shipping revenue is based on the respective standalone selling price for each sector and, is recognised over time based on effort expended on each activity (collection, shipping and delivery), undertaken in fulfilment of the obligation. Recognition commences on date of collection and ceases on delivery. Where rebates are agreed, giving rise to variable consideration, revenue is recognised net of the best estimate of the most probable rebate amounts.

**f) Stevedoring**

Contracts involving stevedoring services to lift and load containers on and off vessels with revenue recognised over time in line with number of containers loaded or discharged.

**g) Chartering**

Bareboat charter contracts involve the grant of a right to use a vessel. Time charter contracts involve (i) the grant of a right to use a vessel and (ii) the provision of operation and maintenance services. The right to use a vessel is treated as an operating lease and in scope of IAS 17/ IFRS 16. The provision of operation and maintenance services is in scope of IFRS15 and revenue is recognised on a daily basis at the applicable daily rate under the terms of the charter agreement.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2018

## 2. Accounting policies – continued

**IFRS 15 Revenue from contracts with customers – continued**

For reporting purposes revenue recognised has been disaggregated into categories which reflect how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. As revenues are recognised over short time periods of no more than days, a key determinant to categorising revenues is the whether they principally arise from a business to customer or a business to business relationship as this impacts directly on the uncertainty of cash flows.

The principal impact for ICG as a transport service provider is that revenue from the provision of transport services will be recognised over the performance period of the underlying contract obligations rather than at the single point of vessel departure. Due to seasonality of the Company's services and the relatively short journey times the impact on adoption was a €0.1 million reduction in retained earnings as previously reported at 31 December 2017. In the half year ended 30 June 2018, the effect of the change in policy on the Condensed Consolidated Income Statement was to decrease operating profit by net €0.2 million, comprising reductions of €0.6 million in revenue and €0.4 million in other operating expenses.

There are a number of new standards, amendments to standards and interpretations that are not yet effective and have not been applied in preparing the Group Condensed Financial Statements. The principal new standards, amendments to standards and interpretations, are as follows:

| Title | Effective date – periods beginning on or after |
|---|---|
| IFRS 16 Leases | 1 January 2019 |
| IFRS 17 Insurance Contracts* | 1 January 2021 |

*Not yet endorsed by the EU

**IFRS 16 Leases**

IFRS 16 Leases sets out the principle for the recognition, measurement, presentation and disclosure of leases for both lessee and lessor.

**a) As Lessee**
IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all material leases.
On adoption of the standard the effects on the Group's financial statements from a lessee perspective will be dependent on the transition option chosen, the contractual terms at date of adoption and the Group's marginal borrowing costs.
The principal known material non-cancellable leases that are expected to exist on the latest adoption date relate to long term leases of property which have an outstanding term of 104 years at 30 June 2018 with undiscounted commitments of €67 million at current rental rates. The Group also charters vessels on short leases of less than 12 months duration.
The Group is continuing to assess its options under IFRS 16 whether to continue the existing accounting treatment of these short leases as operating leases or whether to treat them as right of use assets on adoption of IFRS 16.

The application of IFRS 16 to leases is not expected to have a material effect on Group net assets, but may have a material effect individually on gross assets and gross liabilities. The effects on Group profits is expected to be immaterial on a net basis with higher depreciation and interest charges largely offset by a reduction in operating expenses. The Group's current banking covenants allow for the effect of the changes arising due to the adoption of IFRS 16.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

## 2. Accounting policies – continued

**IFRS 16 Leases - continued**

**b) As Lessor**

The adoption of IFRS 16 is not expected to significantly change the Group's lessor accounting in respect of bareboat contract revenues and that element of time charter contract revenues which relate to the right to use of a vessel.

The Group will apply IFRS 16 from its effective date 1 January 2019. The Group is continuing its assessment of the impact of adoption and will disclose additional information on the effects in the full year 2018 financial statements.

**IFRS 17 Insurance Contracts**

The Group is currently evaluating the impact IFRS 17 may have on the Group financial statements which is currently not expected to be material.

Other than the changes to assumptions used in relation to the valuation of retirement benefit obligations there have been no material changes in estimates in these half yearly financial information based on the estimates that have previously been made in the prior year financial statements to 31 December 2017.

## 3. Segmental information

The Board is deemed the chief operating decision maker within the Group. Under IFRS 8: Operating Segments, the Group has determined that the operating segments are (i) Ferries and (ii) Container and Terminal.

These segments are the basis on which the Group reports internally and are the only two revenue generating segments of the Group. The principal activities of the Ferries segment are the operation of combined RoRo passenger ferries and chartering of vessels. The principal activities of the Container and Terminal segment are the provision of door-to-door and feeder LoLo freight services, stevedoring and other related terminal services. There has been no change in the basis of segmentation or in the basis measurement of segment profit or loss in the period.

**i) Revenue Analysis**

By business segment:

| | Half year ended 30 Jun 2018 €m | Half year ended 30 Jun 2017 €m | Year ended 31 Dec 2017 €m |
|---|---|---|---|
| **Ferries** | | | |
| Passenger | 46.8 | 47.3 | 117.9 |
| Freight | 39.6 | 38.3 | 79.1 |
| Charter | 4.5 | 8.1 | 15.1 |
| | 90.9 | 93.7 | 212.1 |
| **Container and Terminal** | | | |
| Freight | 70.4 | 66.4 | 131.9 |
| Inter segment revenue | (4.1) | (4.0) | (8.9) |
| **Total** | **157.2** | **156.1** | **335.1** |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2018

## 3. Segmental information – continued

### i) Revenue Analysis – continued

By geographic origin of booking:

| | Half year ended 30 Jun 2018 €m | Half year ended 30 Jun 2017 €m | Year ended 31 Dec 2017 €m |
|---|---|---|---|
| Ireland | 65.6 | 66.8 | 162.8 |
| United Kingdom | 39.2 | 39.4 | 65.5 |
| Netherlands | 30.9 | 28.9 | 57.9 |
| Belgium | 14.6 | 14.3 | 27.6 |
| France | 3.5 | 3.1 | 7.4 |
| Other | 3.4 | 3.6 | 13.9 |
| | **157.2** | **156.1** | **335.1** |

No single external customer in the current or prior financial periods amounted to 10 per cent of the Group's revenues.

### ii) Profit for the financial year

| | Ferries | | | Container & Terminal | | | Group Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Half year ended | | Year ended | Half year ended | | Year ended | Half year ended | | Year ended |
| | 2018 €m | 2017 €m | 2017 €m | 2018 €m | 2017 €m | 2017 €m | 2018 €m | 2017 €m | 2017 €m |
| Operating profit | 10.4 | 13.7 | 49.1 | 6.0 | 5.4 | 11.2 | 16.4 | 19.1 | 60.3 |
| Finance income | 0.1 | - | - | - | - | - | 0.1 | - | - |
| Finance costs | (0.5) | (0.9) | (1.2) | - | - | (0.1) | (0.5) | (0.9) | (1.3) |
| Non-trading items | 13.7 | 29.3 | 28.7 | - | - | - | 13.7 | 29.3 | 28.7 |
| Profit before tax | 23.8 | 42.1 | 76.6 | 5.9 | 5.4 | 11.1 | 29.7 | 47.5 | 87.7 |
| Income tax expense | (0.2) | (4.1) | (3.5) | (0.4) | (0.4) | (0.9) | (0.6) | (4.5) | (4.4) |
| **Profit for the financial year** | **23.6** | **38.4** | **73.1** | **5.5** | **4.6** | **10.2** | **29.1** | **43.0** | **83.3** |

### iii) Statement of Financial Position

| | Ferries | | | Container & Terminal | | | Group Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Half year ended | | Year ended | Half year ended | | Year ended | Half year ended | | Year ended |
| | 2018 €m | 2017 €m | 2017 €m | 2018 €m | 2017 €m | 2017 €m | 2018 €m | 2017 €m | 2017 €m |
| **Assets** | | | | | | | | | |
| Segment assets | 309.3 | 195.0 | 251.3 | 54.4 | 53.0 | 51.7 | 363.7 | 248.0 | 303.0 |
| Cash and cash equivalents | 150.8 | 57.1 | 81.2 | 29.2 | 11.6 | 9.1 | 180.0 | 68.7 | 90.3 |
| **Consolidated total assets** | **460.1** | **252.1** | **332.5** | **83.6** | **64.6** | **60.8** | **543.7** | **316.7** | **393.3** |
| **Liabilities** | | | | | | | | | |
| Segment liabilities | 150.9 | 58.1 | 95.3 | 27.1 | 25.3 | 23.5 | 178.0 | 83.4 | 118.8 |
| Borrowings | 124.6 | 41.0 | 49.8 | 0.8 | 1.0 | 0.9 | 125.4 | 42.0 | 50.7 |
| **Consolidated total liabilities** | **275.5** | **99.1** | **145.1** | **27.9** | **26.3** | **24.4** | **303.4** | **125.4** | **169.5** |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

## 3. Segmental information – continued

**iv) Seasonality**

Group revenue and profit before tax is weighted towards the second half of the year principally due to passenger demand patterns in the Ferries Division whereas operating costs are more evenly distributed over the year. In the Ferries Division for financial year 2017, 41% of tourism cars were carried in the first half of the year. RoRo, container freight carryings, and port lifts are more evenly distributed throughout the year. Consequently 46.5% of Group revenues and 31.6% Group operating profit respectively were earned in the first half of 2017.

## 4. Dividend

| | Half year ended 30 Jun 2018 €m | Half year ended 30 Jun 2017 €m | Year ended 31 Dec 2017 €m |
|---|---|---|---|
| Interim dividend | - | - | 7.6 |
| Final dividend | 15.4 | 14.6 | 14.6 |
| | **15.4** | **14.6** | **22.2** |

In June 2018 a final dividend of 8.15 cent per ICG Unit was paid for the financial year ended 31 December 2017. In June 2017 a final dividend of 7.76 cent per ICG Unit was paid for the year ended 31 December 2016. In October 2017 an interim dividend of 4.01 cent per ICG Unit was paid for the year ended 31 December 2017.

## 5. Non-trading items

| | Half year ended 30 June 2018 €m | Half year ended 30 June 2017 €m | Year ended 31 Dec 2017 €m |
|---|---|---|---|
| **Consideration** | | | |
| Total consideration | 15.5 | 45.0 | 45.0 |
| **Gain on disposal of vessel** | | | |
| Consideration | 15.5 | 45.0 | 45.0 |
| Disposal costs | (0.7) | (0.3) | (0.9) |
| **Net proceeds** | **14.8** | **44.7** | **44.1** |
| NBV of vessels disposed | (1.1) | (15.4) | (15.4) |
| **Gain on disposal** | **13.7** | **29.3** | **28.7** |
| Total consideration | 15.5 | 45.0 | 45.0 |
| Tax payable (2017: 12.5%) | - | 5.6 | 5.6 |
| Deferred tax credit on disposal of vessel | - | (1.8) | (1.8) |
| **Tax on disposal** | **-** | **3.8** | **3.8** |

On 26 April 2018, the Group completed the sale of the vessel Jonathan Swift to Balearia Eurolineas Maritimas S.A. for a consideration of €15.5 million. The Jonathan Swift had served the Dublin Holyhead fast service since its delivery in 1999 and was replaced on that service by the Dublin Swift. As the vessel was used in the Group's tonnage tax trade no tax liability arose on disposal.

On 17 May 2017, the Group completed the sale of the Kaitaki to KiwiRail of New Zealand. The Kaitaki had been on charter outside of the Group prior to its disposal.

These gains on disposal of the vessels are included in the profit for the period and are disclosed as non-trading items in the Condensed Consolidated Income Statement.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

## 6. Earnings per share

| Number of shares | Half year ended 30 Jun 2018 '000 | Half year ended 30 Jun 2017 '000 | Year ended 31 Dec 2017 '000 |
|---|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 190,004 | 188,332 | 188,801 |
| Effect of dilutive potential ordinary shares: Share options | 1,420 | 1,842 | 1,208 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **191,424** | **190,174** | **190,009** |

The denominator for the purposes of calculating both basic and diluted earnings per share has been adjusted to reflect shares issued during the period and excludes treasury shares.

The earnings used in both the adjusted basic and adjusted diluted earnings per share have been adjusted to take into account the non-trading items together with the net interest on defined benefit pension obligations.

**Profit attributable to ordinary shareholders**

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

| Earnings | Half year ended 30 Jun 2018 €m | Half year ended 30 Jun 2017 €m | Year ended 31 Dec 2017 €m |
|---|---|---|---|
| Earnings for the purpose of basic and diluted earnings per share - Profit for the financial period attributable to equity holders of the parent | **29.1** | **43.0** | **83.3** |
| Effect of non-trading items after tax | (13.7) | (25.5) | (24.9) |
| Effect of net interest (income)/ expense on defined benefit pension schemes | (0.1) | 0.1 | 0.2 |
| Earnings for the purpose of adjusted earnings per share | **15.3** | **17.6** | **58.6** |
| | **Cent** | **Cent** | **Cent** |
| Basic earnings per share | 15.3 | 22.8 | 44.1 |
| Diluted earnings per share | 15.2 | 22.6 | 43.8 |
| Adjusted basic earnings per share | 8.1 | 9.3 | 31.0 |
| Adjusted diluted earnings per share | 8.0 | 9.3 | 30.8 |

The calculation of adjusted basic earnings per share and adjusted diluted earnings per share for the full year 2017 has been represented to adjust earnings for the purpose of basic and diluted earnings per share for effect of non-trading items after tax. The presentation of these calculations in note 12 to the 2017 financial statements included in the 2017 Annual Report had adjusted for the effect of non-trading items before tax.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

## 7. Property, plant and equipment

| | Assets under construction | Vessels | Plant, Equipment and Vehicles | Land and Buildings | Total |
|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m |
| **Cost** | | | | | |
| At 1 January 2018 | 103.5 | 286.7 | 56.1 | 26.9 | 473.2 |
| Additions | 36.8 | 11.7 | 0.7 | 0.2 | 49.4 |
| Disposals | - | (22.6) | (0.1) | - | (22.7) |
| Reclassification | (3.3) | - | 3.3 | - | - |
| **At 30 June 2018** | **137.0** | **275.8** | **60.0** | **27.1** | **499.9** |
| **Accumulated depreciation** | | | | | |
| At 1 January 2018 | - | 171.8 | 42.7 | 9.2 | 223.7 |
| Charge for period | - | 7.9 | 1.5 | 0.2 | 9.6 |
| Disposals | - | (22.1) | (0.1) | - | (22.2) |
| **At 30 June 2018** | **-** | **157.6** | **44.1** | **9.4** | **211.1** |
| **Carrying amount** | | | | | |
| At 1 January 2018 | 103.5 | 114.9 | 13.4 | 17.7 | 249.5 |
| **At 30 June 2018** | **137.0** | **118.2** | **15.9** | **17.7** | **288.8** |
| At 30 June 2017 | 37.5 | 121.9 | 14.5 | 17.5 | 191.4 |

Assets under construction include accruals for works completed to date not yet invoiced in accordance with contractual terms of €97.7 million (31 December 2017: €64.6 million).

## 8. Net cash and borrowing facilities

i) The components of the Groups net cash position at the reporting date and the movements in the period are set out in the following table.

| | Cash | Bank Loans | Loan Notes | Leases | Origination fees | Total |
|---|---|---|---|---|---|---|
| | €m | €m | | €m | €m | €m |
| **At 1 January 2018** | | | | | | |
| Current assets | 90.3 | - | - | - | - | 90.3 |
| Creditors due within one year | - | - | - | (0.7) | - | (0.7) |
| Creditors due after one year | - | - | (50.0) | (1.0) | 1.0 | (50.0) |
| | **90.3** | **-** | **(50.0)** | **(1.7)** | **1.0** | **39.6** |
| Cash flow | 89.7 | - | - | - | - | 89.7 |
| Drawdown | - | (75.0) | - | - | - | (75.0) |
| Repayment | - | - | - | 0.3 | - | 0.3 |
| | **89.7** | **(75.0)** | **-** | **0.3** | **-** | **15.0** |
| **At 30 June 2018** | | | | | | |
| Current assets | 180.0 | - | - | - | - | 180.0 |
| Creditors due within one year | - | - | - | (0.7) | 0.1 | (0.6) |
| Creditors due after one year | - | (75.0) | (50.0) | (0.7) | 0.9 | (124.8) |
| | **180.0** | **(75.0)** | **(50.0)** | **(1.4)** | **1.0** | **54.6** |
| **At 30 June 2017** | | | | | | |
| Current assets | 68.7 | - | - | - | - | 68.7 |
| Creditors due within one year | - | (40.0) | - | (0.3) | - | (40.3) |
| Creditors due after one year | - | - | - | (1.7) | - | (1.7) |
| | **68.7** | **(40.0)** | **-** | **(2.0)** | **-** | **26.7** |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

## 8. Net cash and borrowing facilities – continued

ii) The maturity profile and available borrowing and cash facilities available to the Group at 30 June 2018 are set out in the following table.

| | | | | Maturity Profile | | | |
|---|---|---|---|---|---|---|---|
| | Facility | Undrawn | On-hand / drawn | Less than 1 year | Between 1 – 2 years | Between 2 – 5 years | More than 5 years |
| | €m | €m | €m | €m | €m | €m | €m |
| Cash | - | - | 180.0 | 180.0 | - | - | - |
| **Committed lending facilities** | | | | | | | |
| Bank overdrafts | 15.4 | 15.4 | - | - | - | - | - |
| Bank loans | 230.0 | 155.0 | 75.0 | - | - | 22.5 | 52.5 |
| Loan notes | 50.0 | - | 50.0 | - | - | - | 50.0 |
| Leases | 1.4 | - | 1.4 | 0.7 | 0.4 | 0.3 | - |
| **Committed lending facilities** | **296.8** | **170.4** | **126.4** | **0.7** | **0.4** | **22.8** | **102.5** |
| **Uncommitted lending facilities** | | | | | | | |
| Bank Loans | 50.0 | | | | | | |
| Loan Notes | 185.8 | | | | | | |
| **Uncommitted lending facilities** | **235.8** | | | | | | |

Bank overdrafts are stated net of trade guarantee facilities utilised of €0.6 million.

Obligations under the Group borrowing facilities have been cross guaranteed by the parent company and certain subsidiaries but are otherwise unsecured except for finance lease obligations which are secured by the lessors' title to leased assets.

## 9. Tax

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

The Company and subsidiaries that are Irish Resident for tax purposes have elected to be taxed under the Irish tonnage tax scheme. Under the tonnage tax scheme, taxable profit on eligible activities is calculated on a specified notional profit per day related to the tonnage of the ships utilised.

## 10. Financial instruments and risk management

The Group's activities expose it to a variety of financial risks including market risk (such as interest rate risk, foreign currency risk, commodity price risk), liquidity risk and credit risk. The Group's funding, liquidity and exposure to interest and foreign exchange rate risks are managed by the Group's treasury and accounting departments. Treasury management practices which may include the use of derivative financial instruments are used to manage these underlying risks.

These interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2017 Annual Report. There have been no changes to the risk management procedures or policies since the 2017 year end.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

## 10. Financial instruments and risk management – continued

i) Carrying value and fair value estimation of financial assets and liabilities

The table below sets out the carrying value and fair values of the Group's financial assets and liabilities at the reporting date.

| | | Half year ended 30 June 2018 | | Half year ended 30 June 2017 | | Year ended 31 December 2017 |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| | €m | €m | €m | €m | €m | €m |
| **Financial assets** | | | | | | |
| Trade and other receivables | 61.7 | 61.7 | 45.9 | 45.9 | 42.2 | 42.2 |
| Cash and cash equivalents | 180.0 | 180.0 | 68.7 | 68.7 | 90.3 | 90.3 |
| **Total financial assets** | **241.7** | **241.7** | **114.6** | **114.6** | **132.5** | **132.5** |
| **Financial liabilities** | | | | | | |
| Borrowings | 125.4 | 125.9 | 42.0 | 42.1 | 50.7 | 50.4 |
| Trade and other payables | 172.0 | 172.0 | 72.3 | 72.3 | 112.4 | 112.4 |
| **Total financial liabilities** | **297.4** | **297.9** | **114.3** | **114.4** | **163.1** | **162.8** |

ii) Fair value hierarchy

The Group has adopted the following fair value measurement hierarchy for financial assets and liabilities:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group did not hold any financial assets or financial liabilities at the reporting dates required to be carried at fair value in the Condensed Statement of Consolidated Financial Position.

iii) Fair value of financial assets and financial liabilities measured at amortised cost

With the exception of the financial liabilities related to borrowings set out in the table at (ii) above it is considered that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in these half year financial statements approximate their fair values.

The fair value of borrowings are classified within Level 2 of the fair value hierarchy. Fair value has been estimated based on discounted cash flow analysis using interest rates reasonably expected to be available to the Group for similar products derived from observable market interest rates at the reporting date and observable credit spread market movements since inception of the borrowings.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2018

## 10. Financial instruments and risk management – continued

iv) Derivative financial instruments

Derivative financial instruments are measured in the Condensed Consolidated Statement of Financial Position at fair value. The fair values of derivative financial instruments are based on market price calculations using financial models based on market observable rates.

The Group utilises currency derivatives to hedge future cash flows in the management of its short term exchange rate exposures. During the period no material currency derivative positions were opened or closed out and there were no material open positions at 30 June 2018 and 31 December 2017.

The Group does not currently utilise interest rate derivatives to manage its interest rate exposure as it contracts fixed rate borrowings directly with lenders. Previous interest rate hedge positions were closed out in the first half of 2017 in conjunction with the repayment of the associated borrowings.

The Group does not currently utilise commodity derivatives to hedge its fuel costs purchasing its fuel requirements at spot.

## 11. Retirement benefit schemes

Retirement benefit scheme valuations have been updated at the half year. Scheme assets have been valued as per investment managers' valuations at 30 June 2018. In consultation with the actuary to the principal group defined benefit pension schemes, the discount rate used in relation to the pension scheme liabilities is 1.80% for Euro liabilities (31 December 2017: 1.80%) and 2.50% for Sterling liabilities (31 December 2017: 2.35%).

At 30 June 2018 the Group's total obligation in respect of defined benefit schemes totals €271.6 million (31 December 2017: €278.7 million). The schemes held assets of €278.7 million (31 December 2017: €283.4 million), giving a net pension surplus of €7.1 million (31 December 2017: €4.7 million net surplus).

The principal assumptions used for the purpose of the actuarial valuations have been set after considering independent actuarial advice and which are reflective of market conditions that existed at 30 June 2018, were as follows:

| | Half year ended | | | | Year ended | |
|---|---|---|---|---|---|---|
| | 30 Jun 2018 | | 30 Jun 2017 | | 31 Dec 2017 | |
| | Sterling | Euro | Sterling | Euro | Sterling | Euro |
| Discount rate | 2.50% | 1.80% | 2.45% | 1.90% | 2.35% | 1.80% |
| Inflation rate | 3.30% | 1.60% | 2.45% | 1.50% | 3.40% | 1.60% |
| Rate of increase of pensions in payment | 3.05% | 0.70% – 0.80% | 3.15% | 0.60% – 0.70% | 3.10% | 0.70% – 0.80% |
| Rate of pensionable salary increases | 0.00% – 0.90% | 0.00% – 1.00% | 0.00% – 1.00% | 0.00% – 1.00% | 0.95% | 0.00% – 1.00% |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

## 11. Retirement benefit schemes – continued

The movements in the net surplus on the retirement benefit schemes were as follows:

| Movement in retirement benefit schemes net surplus | Half year ended 30 Jun 2018 €m | Half year ended 30 Jun 2017 €m | Year ended 31 Dec 2017 €m |
|---|---|---|---|
| Opening surplus/ (deficit) | 4.7 | (13.5) | (13.5) |
| Current service cost | (0.9) | (0.9) | (1.8) |
| Employer contributions paid | 1.4 | 1.4 | 2.9 |
| Net interest income/ (cost) | 0.1 | (0.1) | (0.2) |
| Actuarial gain | 1.8 | 17.6 | 17.5 |
| Other | - | 0.5 | (0.2) |
| **Net surplus** | **7.1** | **5.0** | **4.7** |
| | | | |
| Schemes in surplus | 10.0 | 7.9 | 8.1 |
| Schemes in deficit | (2.9) | (2.9) | (3.4) |
| **Net surplus** | **7.1** | **5.0** | **4.7** |

The improvement in pension deficit since 31 December 2017 includes actuarial gains which are recognised in the Condensed Consolidated Statement of Comprehensive Income.

| | Half year ended 30 Jun 2018 €m | Half year ended 30 Jun 2017 €m | Year ended 31 Dec 2017 €m |
|---|---|---|---|
| **Actuarial gains recognised in the Condensed Consolidated Statement of Comprehensive Income** | | | |
| Return on scheme assets (less than) / in excess of interest income | (2.7) | 5.3 | 11.9 |
| Remeasurement adjustments on scheme liabilities | | | |
| - Changes in demographic assumptions | - | - | 0.6 |
| - Changes in financial assumptions | 0.8 | 10.7 | 3.7 |
| - Experience adjustments | 3.7 | 1.6 | 1.3 |
| **Actuarial gains recognised in the Condensed Consolidated Statement of Comprehensive Income** | **1.8** | **17.6** | **17.5** |

No provision has been made against scheme surpluses as the Group believe having reviewed the rules of the relevant schemes, the surplus will accrue to the Group in the future.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

## 12. Net cash inflow from operating activities

| | Half year ended 30 Jun 2018 | Half year ended 30 Jun 2017 | Year ended 31 Dec 2017 |
|---|---|---|---|
| | €m | €m | €m |
| **Operating activities** | | | |
| Profit for the financial period/ year | 29.1 | 43.0 | 83.3 |
| Adjustments for: | | | |
| Finance costs (net) | 0.4 | 0.9 | 1.3 |
| Income tax expense | 0.6 | 4.5 | 4.4 |
| Retirement benefit schemes – current service cost | 0.9 | 0.9 | 1.8 |
| Retirement benefit schemes – payments | (1.4) | (1.4) | (2.9) |
| Depreciation of property, plant and equipment | 9.6 | 10.4 | 20.5 |
| Amortisation of intangible assets | 0.1 | 0.2 | 0.3 |
| Amortisation of deferred grant | - | (0.1) | (0.1) |
| Share-based payment expense | 1.2 | 0.4 | 1.1 |
| Gain on disposal of property, plant and equipment | (13.7) | (29.3) | (29.1) |
| Increase in provisions | - | - | (0.2) |
| **Operating cash flow before movements in working capital** | **26.8** | **29.5** | **80.4** |
| (Increase)/ decrease in inventories | (0.1) | 0.1 | (0.4) |
| (Increase) in receivables | (4.6) | (6.3) | (2.6) |
| Increase in payables | 26.1 | 25.6 | 1.1 |
| **Cash generated from operations** | **48.2** | **48.9** | **78.5** |
| Income taxes paid | (0.7) | (0.5) | (5.6) |
| Interest paid | (0.4) | (0.8) | (1.1) |
| **Net cash inflow from operating activities** | **47.1** | **47.6** | **71.8** |

At 30 June 2018 and 30 June 2017 the overall working capital movements amounted to €21.4 million and €19.4 million respectively, which relate to seasonal working capital inflows that are expected to unwind in the second half of the year. Working capital movements exclude accruals of €97.7 million (31 December 2017: €64.6 million, 30 June 2017: €nil) relating to vessel work in progress balances not yet paid and prepayments in line with contractual terms for works not yet undertaken of €14.9 million (31 December 2017 and 30 June 2017: €nil). Movements in these accrual and prepayments are included as Purchases of Property Plant and Equipment in the Condensed Consolidated Statement of Cash Flows.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

### 13. Related party transactions

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

During the six months ended 30 June 2018 there were no material changes to, or material transactions between Irish Continental Group plc and its key management personnel or members of their close family, other than in respect of remuneration and dividends. There were no other material related party transactions in the period.

### 14. Contingent assets/ liabilities

There have been no material changes in contingent assets or liabilities as reported in the Group's financial statement for the year ended 31 December 2017.

### 15. Impairment

Under IFRS, goodwill and other indefinite-lived intangible assets are required to be tested at least annually for impairment. As the Group does not have these types of assets no impairment review is required.

In relation to assets other than those listed above, the Group assessed those assets to determine if there were any indications of impairment. No internal or external indications of impairment were identified and consequently no impairment review was performed.

### 16. Composition of the entity

There have been no changes in the composition of the entity during the period ended 30 June 2018.

### 17. Commitments

| | Half year ended 30 Jun 2018 | Half year ended 30 Jun 2017 | Year ended 31 Dec 2017 |
|---|---|---|---|
| | €m | €m | €m |
| Commitments for the acquisition of property, plant and equipment – approved and contracted for | 272.7 | 116.9 | 216.4 |

### 18. Events after the reporting period

The Board has declared an interim dividend of 4.21 cent per ICG Unit in respect of 2018.

There have been no other material events affecting the Group to report since 30 June 2018.

### 19. Board approval

This interim report was approved by the Board of Directors of Irish Continental Group plc on 29 August 2018.