



IRISH CONTINENTAL GROUP

2018

Preliminary statement of Results
for the year ended 31 December 2018

7 MARCH 2019

Preliminary Statement of Results for the year ended 31 December 2018

Irish Continental Group (ICG) the leading Irish-based maritime transport group, reports a solid financial performance for the year ended 31 December 2018.

Highlights**Financial summary**

	2018	2017	Change
Revenue	€330.2m	€335.1m	-1.5%
EBITDA (pre non-trading items)	€68.4m	€81.0m	-15.6%
EBIT (including non-trading items)	€60.0m	€89.0m	-32.6%
Basic earnings per share	30.4c	44.1c	-31.1%
Adjusted earnings per share	23.1c	31.0c ^a	-25.5%
Net (debt)/cash	€(80.3)m	€39.6m	-

Volume movements

	2018 '000	2017 '000	Change
RoRo units	283.7	287.5	-1.3%
Cars	392.7	424.0	-7.4%
Containers shipped (teu)	327.6	321.4	+1.9%
Port lifts	310.0	296.8	+4.4%

a) The prior year earnings per share has been represented to take account of the tax effect of the non-trading item.

b) This preliminary statement contains certain alternative performance measures including EBITDA, EBIT, and adjusted earnings per share. An explanation of these measures together with other abbreviated terms is provided at note 10 on page 27 of the Condensed Financial Statements.

- EBITDA reduction of €12.6 million principally due to disruption in Irish Ferries schedules arising from technical issues which are now resolved.
- Fuel costs increased €7.9 million (19.6%) to €48.2 million.
- 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 €28.7 million).
- W.B. Yeats cruise ferry delivery delay affected planned schedules in 2018.
- Year end net debt after total capex of €176.1 million was €80.3 million, 1.2x EBITDA (pre non-trading items).
- Shareholder funds increase of 13.0% to €252.9 million.
- Second new cruise ferry investment of €165.2 million announced during the year.
- Interim dividend increased by 5.0% to 8.56 cent, (2017: 8.15 cent).

Commenting on the results Chairman John B McGuckian said,

2018 was a challenging year operationally but one in which significant progress was made in the strategic development of the Group. Schedule disruptions due to technical issues on our vessel Ulysses and the late delivery of the W.B. Yeats combined to lower our profit performance over the prior year. Nevertheless, despite these operational difficulties during 2018 the markets in which we operate remained robust and our long term strategic plans for the future of our fleet remain intact, progressing well with the delivery of the W.B. Yeats. Whilst mindful of the uncertainty created by the proposed exit of the UK from the EU, trading in the year to date is encouraging.

6 March 2019

Enquiries:

Eamonn Rothwell, Chief Executive Officer	Tel: +353 1 607 5628	Email: info@icg.ie
David Ledwidge, Chief Financial Officer	Tel: +353 1 607 5628	Email: info@icg.ie

Media enquiries:

Q4 Public Relations	Tel: +353 1 475 1444	Email: press@q4pr.ie
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Results

Financial Highlights

	2018	2017	Change
Revenue	€330.2m	€335.1m	-1.5%
EBITDA (pre non-trading items)	€68.4m	€81.0m	-15.6%
EBIT* (including non-trading items)	€60.0m	€89.0m	-32.6%

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

Irish Continental Group (ICG) produced another resilient performance in the face of operational difficulties encountered during the year combined with year on year increased fuel costs as a result of higher average global oil prices. Revenue for the year decreased by 1.5% to €330.2 million (2017: €335.1 million) with revenue growth in the Container and Terminal operations offset by a decrease in the Ferries division.

EBITDA for the year decreased by 15.6% to €68.4 million (2017: €81.0 million) primarily as a result of the technical difficulties with the Ulysses, increased fuel prices, the late delivery of the W.B. Yeats and planned reduction in external charter earnings. During the year we completed the sale of the Jonathan Swift generating a profit on sale before tax of €13.7 million. The ship was sold in April 2018 to Balearia Eurolineas Maritmas SA for an agreed consideration of €15.5 million, payable in cash, which was received on delivery and is being utilised for general corporate purposes. The Jonathan Swift was replaced in our fleet by the Dublin Swift which had previously been on external charter for 11 months in the prior year. Combined with the absence of charter revenue from the Kaitaki which was sold in May 2017 generating a profit before tax of €28.7 million, external charter revenue earnings were €5.3 million lower than the prior year.

Overall Group operating profit or EBIT was €60.0 million (2017: €89.0 million). Net interest charges decreased to €0.8 million from €1.3 million representing the lower cost of committed facilities arranged during the prior year. The taxation charge decreased €3.0 million to €1.4 million mainly due to a reduction of tax on non-trading items of €3.8 million offset by a higher effective tax rate on non-tonnage tax activities.

The W.B. Yeats entered service with Irish Ferries on 22 January 2019. Operating initially on the Dublin/ Holyhead service the vessel is scheduled to switch to the Dublin/ Cherbourg route during March. The addition of W.B. Yeats provides the Group with greater route planning flexibility going forward which will enhance the Group's revenue earning capability. The Dublin Swift fast craft is expected to recommence the fast crossing service between Dublin/ Holyhead also in March following winter layup and the addition of further vehicle deck capacity.

The container vessel MV Ranger remains on time charter to a third party and is currently trading in North West Europe while the MV Elbtrader, MV Elbcarrier and MV Elbfeeder remain on time charter to the Group's container shipping subsidiary Eucon.

The charter agreement on the vessel MV Epsilon was renewed until November 2020 with an agreement for a further one year option on the vessel.

The Group contracted for a second new cruise ferry to be built at a contract price of €165.2 million by the German shipyard Flensburger Schiffbau-Gesellschaft & Co.KG ("FSG") who built the W.B. Yeats and is scheduled for delivery in late 2020. It is planned that this cruise ferry will replace the Ulysses on the peak sailings between Dublin – Holyhead, with the Ulysses becoming the second vessel on that route and the chartered vessel Epsilon redelivered to her owners. The ship will give ICG an increase in effective capacity from 200 freight units to 300 freight units on peak sailings. This will allow ICG to continue growing on the key Dublin – Holyhead route into the future.

Operational Review

Irish Continental Group operates through two divisions; the Ferries Division operating under the Irish Ferries brand offering passenger and RoRo freight services. The division is also engaged in ship chartering activities with vessels chartered within the Group and to third parties. The Container and Terminal Division includes the intermodal shipping line Eucon as well as the division's strategically located container terminal in Dublin and its terminal operations in Belfast.

Ferries Division

Financial Highlights

	2018	2017	Change
Revenue*	€196.2m	€212.1m	-7.5%
EBITDA (pre non-trading items)	€53.6m	€67.3m	-20.4%
EBIT** (including non-trading items)	€47.9m	€77.8m	-38.4%

*Includes intersegment revenue of €8.1 million (2017: €7.7 million)

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

Operational Highlights

	2018	2017	Change
Volumes	'000	'000	
Cars	392.7	424.0	-7.4%
Passengers	1,502.4	1,649.8	-8.9%
RoRo freight units	283.7	287.5	-1.3%

Operational Review – continued

Ferries Division – continued

Revenue was 7.5% lower at €196.2 million (2017: €212.1 million). EBITDA in the division decreased by 20.4% to €53.6 million (2017: €67.3 million) primarily due to higher fuel costs which increased by €4.5 million, late delivery of W.B. Yeats, technical difficulties with the Ulysses, and a reduction in external charter earnings. The division generated a profit on the sale of the Jonathan Swift of €13.7 million in the year, having generated a profit on the sale of the Kaitaki in 2017 of €28.7 million. These have been reported as non-trading items. EBIT decreased by 38.4% to €47.9 million (2017: €77.8 million), reflecting the result of non-trading items and the reduction in EBITDA.

Car and Passenger markets

It is estimated that the overall car market, to and from the Republic of Ireland, fell by approximately 2.0% in 2018 to 790,600 cars, while the all-island market, i.e. including routes into Northern Ireland, is estimated to have decreased by 1.8%. Irish Ferries' car carryings were negatively impacted during the year, at 392,700 cars, (2017: 424,000 cars), down 7.4% on the previous year due to the division's operational difficulties. In the first half of the year Irish Ferries car volumes fell by 2.0% while in the second half of the year volumes decreased by 11.1%.

The total sea passenger market (i.e. comprising car, coach and foot passengers) to and from the Republic of Ireland decreased by 2.9% on 2017 to a total of 3.04 million passengers, while the all-island market decreased by 2.2%. Irish Ferries' passenger numbers carried decreased by 8.9% to 1.502 million (2017: 1.650 million). In the first half of the year, Irish Ferries passenger volumes fell by 2.9% and in the second half of the year, the decrease in passenger numbers was 13.3%.

The second half performance largely reflects the effects of the schedule disruption on the Dublin/ Holyhead route due to technical difficulties with the Ulysses and the strategic operational decision not to operate the fastcraft Dublin Swift over the winter months with effect from 9 October 2018. This decision was made with a view to optimise capacity while the W.B. Yeats is operating on this route up to mid-March. This resulted in a combined reduction of -10.8% sailings in the second half of 2018 versus the prior year.

RoRo Freight

The RoRo freight market between the Republic of Ireland, and the U.K. and France, continued to grow in 2018 on the back of the Irish economic recovery, with the total number of trucks and trailers up 3.4%, to approximately 1,032,400 units. On an all-island basis, the market increased by approximately 2.5% to 1.86 million units.

Irish Ferries' carryings, at 283,700 freight units (2017: 287,500 freight units), decreased by 1.3% in the year with volumes up 3.2% in the first half and down 5.6% in the second half.

The performance in the second half reflects the -7% reduction in Freight capacity offered on the central corridor in 2018 compared to the previous year due to the schedule disruptions of the Ulysses.

Chartering

Overall external charter revenues were €2.1 million in 2018 (2017: €7.4 million), representing a planned reduction in external chartering in respect of the Kaitaki and Dublin Swift (Ex Westpac Express).

Of our four owned LoLo container vessels, three vessels are currently on year-long charters to the Group's container shipping subsidiary Eucon on routes between Ireland and the continent whilst the fourth is on a short term charter to a third party.

In the prior year the division had generated revenues external to the group of €4.7 million from the charter of the Kaitaki and Dublin Swift (Ex Westpac Express). The Kaitaki was sold in May 2017 and the Dublin Swift returned from an external charter in November 2017. During the year the Dublin Swift underwent an extensive refurbishment programme to bring her up to Irish Ferries passenger service standards prior to entering service with Irish Ferries in April 2018. The existing fastcraft, the Jonathan Swift, was then sold generating a profit on disposal of €13.7 million which is reported as a non-trading item in the current year.

Container and Terminal Division

Financial Highlights

	2018	2017	Change
Revenue*	€143.3m	€131.9m	+8.6%
EBITDA	€14.8m	€13.7m	+8.0%
EBIT	€12.1m	€11.2m	+8.0%

*Includes intersegment revenue of €1.2 million (2017: €1.2 million)

Operational Highlights

	2018	2017	Change
Volumes	'000	'000	
Containers shipped (teu)	327.6	321.4	+1.9%
Port lifts	310.0	296.8	+4.4%

Operational Review – continued

Container and Terminal Division - continued

Revenue in the division increased to €143.3 million (2017: €131.9 million). The revenue is derived from container shipping operations at Eucon and container handling activities at our terminals in Dublin and Belfast. Eucon operates a mix of domestic door-to-door and quay-to-quay services with 70% (2017: 69%) 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. The terminal operations offer container stevedoring services and ancillary services internally to Eucon and to third parties. EBITDA in the division increased to €14.8 million (2017: €13.7 million) while EBIT rose 8.0% to €12.1 million (2017: €11.2 million), reflecting the increased activity from container shipping operations in Eucon and container handling activities at our terminals in Dublin and Belfast.

In Eucon overall container volumes shipped increased by 1.9% compared with the previous year to 327,600 teu (2017: 321,400 teu), with import volumes up 3.2% and export volumes in line with 2017. The resulting revenue increase was partially offset by a €3.4 million increase in fuel costs. In April 2018 we added an additional vessel M/v Victoria which increased the frequency on our Antwerp to Dublin route to 3 sailings per week in each direction.

Containers handled by the Group's terminal operations in Dublin Ferryport Terminals (DFT) and Belfast Container Terminal (BCT) rose by 4.4% at 310,000 lifts (2017: 296,800 lifts). DFT's volumes grew by 5.6%, while BCT's volumes increased by 2.8%. The deployment at DFT after a period of commissioning and testing of two electrically operated rubber tyred gantries (RTG) incorporating the latest technologies to allow for remote and semi-automated operations will further improve the efficiency of our DFT terminal.

Group Finance Review

Cash Flow

A summary cash flow is presented below:

	2018	2017
	€m	€m
Operating profit (EBIT)*	60.0	89.0
Non trading items	(13.7)	(28.7)
Depreciation	22.1	20.7
EBITDA* (pre non-trading items)	68.4	81.0
Working capital movements	(3.8)	(1.9)
Pension payments in excess of service costs	(1.6)	(1.1)
Other movements	1.7	0.5
Cash generated from operations	64.7	78.5
Interest paid	(1.0)	(1.1)
Tax paid	(2.2)	(5.6)
Capex excluding strategic capex	(15.6)	(7.9)
Free cash flow before strategic capex*	45.9	63.9
Strategic capex	(160.5)	(9.1)
Free cash flow after strategic capex	(114.6)	54.8
Proceeds on disposal of property, plant and equipment	17.4	44.7
Dividends	(23.5)	(22.2)
Share issue	0.6	3.3
Settlement of equity plans through market purchase of shares	-	(3.0)
Net cash flows	(120.1)	77.6

*Additional information in relation to these Alternative Performance Measures ("APMs") is disclosed on page 27.

EBITDA for the year was €68.4 million (2017: €81.0 million). There was a net outflow of working capital of €3.8 million, due to an increase in receivables of €4.6 million and an increase in inventories of €0.6 million, and partially offset by an increase in payables of €1.4 million. The Group made payments, in excess of service costs to the Group's pension funds of €1.6 million. Other net cash inflows amounted to €1.7 million resulting in cash generated from operations amounting to €64.7 million (2017: €78.5 million).

Interest paid was €1.0 million (2017: €1.1 million) while taxation paid was €2.2 million (2017: €5.6 million).

Maintenance capital expenditure was €15.6 million including the annual overhaul of vessels, refurbishment of the Dublin Swift and container fleet renewal. Free cash flow after maintenance capex was €45.9 million before expenditure on vessels of €160.5 million including the final instalment on the W.B. Yeats and initial contract deposit on the second new vessel.

Net debt at year end was €80.3 million in comparison to a net cash position of €39.6 million at 31 December 2017.

Group Finance Review – continued

Balance Sheet

A summary balance sheet is presented below:

	2018 €m	2017 €m
Property, plant & equipment and intangible assets	308.1	250.0
Retirement benefit surplus	2.5	8.1
Other current assets	79.0	44.9
Cash and bank balances	124.7	90.3
Total assets	514.3	393.3
Non-current borrowings	204.7	50.0
Retirement benefit obligations	4.2	3.4
Other non-current liabilities	1.0	1.5
Current borrowings	0.3	0.7
Other current liabilities	51.2	113.9
Total liabilities	261.4	169.5
Total equity	252.9	223.8
Total equity and liabilities	514.3	393.3

The total net deficit of all defined benefit pension schemes at 31 December 2018 was €1.7 million in comparison to €4.7 million surplus at 31 December 2017. The movement reflects an actuarial loss of €8.1 million comprised of actuarial losses on scheme assets in excess of expected returns of €14.7 million, offset by rereasurement gains from adjustments of scheme liabilities. The principal movement in other current assets arises from prepayments under the second new build contracted. The principal movement in other current liabilities relates to release of an accrual for estimated stage of completion of W.B. Yeats at 31 December 2017 following delivery of that vessel during the year.

Shareholders' equity increased to €252.9 million from €223.8 million at 31 December 2017. The main reasons for the movement were due to a profit for the financial period of €60.0 million, offset by an actuarial loss arising on retirement benefit schemes of €8.1 million and dividends paid of €23.5 million.

Financing

The borrowing facilities available to the Group at 31 December 2018 were as follows;

Borrowing Facilities

	Facility €m	Committed €m	Committed facilities drawn €m	Committed facilities undrawn €m
Revolving credit	125.0	75.0	-	75.0
Private placement loan notes	240.2	50.0	50.0	-
Bank term loans	155.0	155.0	155.0	-
Overdraft and other	16.0	16.0	0.6	15.4
	536.2	296.0	205.6	90.4

At 31 December 2018 the Group had total lending facilities of €536.2 million available of which €296.0 million were committed facilities. During the year, the Group drew down funding of €155.0 million term loan from facilities provided by the European Investment Bank to fund the two new cruise ferries including the W.B. Yeats. At 31 December 2018, all the amounts drawn, €205.6 million in total, have been contracted at a weighted average fixed interest rate of 1.60% over the remaining terms of between 4 and 11 years. In addition to the committed lines of credit, the Group had arranged uncommitted facilities of €240.2 million with utilisation dates expiring between 1.5 and 5 years.

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

Group Finance Review – continued

Fuel

	2018	2017	Change
Fuel costs	€48.2m	€40.3m	+19.6%

Group fuel costs in 2018 amounted to €48.2 million (2017: €40.3 million). The increase in fuel cost was principally attributable to higher global fuel costs with the average Brent crude price increasing 25% in euro terms over the prior year.

The Group has in place a transparent fuel surcharge mechanism 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.

Dividend

During the year the Group paid the final dividend for 2017 of 8.15 cent per ICG Unit. The Group also paid an interim dividend for 2018 of 4.21 cent per ICG Unit, and the Board is proposing a final dividend of 8.56 cent per ICG Unit, payable in June 2019, making a total dividend for 2018 of 12.77 cent per ICG Unit, an increase of 5.0% on the prior year.

Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 7 June 2019 to shareholders on the register at close of business on 17 May 2019. Irish dividend withholding tax will be deducted where appropriate.

Proposed exit of United Kingdom from the European Union

It remains unclear what the timing and manner of the proposed exit of the United Kingdom from the EU will be. In as much as is feasible we have engaged with our port operators and regulatory authorities to minimise the possibility of any port disruptions. It is the Group's view that over the longer term trade between Ireland and the United Kingdom will remain strong underpinned by cultural and commercial linkages. The Group's investment in vessels is designed to provide route planning flexibility to adapt its schedules to customer demand over the short and long term.

Fleet

2018 was a significant year in terms of developing our fleet configuration for the future growth of the business.

In January the Group announced the agreement with FSG for the construction of a second new cruise ferry for a contract price of €165.2 million. It is intended that this vessel will service the Dublin/ Holyhead service alongside the existing Ulysses. With capacity for 1,800 passengers and up to 330 freight units (5,610 lane metres) it will offer a 50% increase in peak freight capacity compared to Ulysses.

The Dublin Swift replaced the Jonathan Swift on the Dublin/ Holyhead fastcraft service in April. The Dublin Swift underwent an extensive refurbishment prior to entering service and offers enhanced passenger service standards and increased car carrying capacity compared to Jonathan Swift. In conjunction with the introduction of the Dublin Swift a decision was made not to operate the fastcraft service during the winter months both from weather disruption and operational efficiency perspectives while in anticipation of the W.B. Yeats operating on this route. Following the introduction of the Dublin Swift, the Jonathan Swift was sold for a consideration of €15.5 million with a profit on sale of €13.7 million reported as a non-trading item.

The Ulysses following a 99% schedule integrity record since joining the fleet in 2001, suffered a number of technical issues commencing with a 5 week schedule disruption in late June into July and sporadically thereafter up to December. This required fleet reassignment at short notice resulting in reduced capacity both during the tourism and freight peak seasons. Overall schedule integrity in the Ferries division (excluding fastcraft) fell from 99% recorded in the previous year to 90%. Due to leadtimes on specialist parts temporary repairs to class regulatory standard were undertaken during 2018 with more extensive rectification during an extended drydock in early 2019.

The W.B. Yeats was delivered to the Group at Flensburg, Germany. Following her delivery voyage to Dublin and final commissioning and certification she entered service with Irish Ferries on 22 January 2019 initially serving Dublin/ Holyhead before transferring to Dublin/ Cherbourg in March. The W.B. Yeats was due to enter service with Irish Ferries during July 2018 but due to extraordinary circumstances beyond the Group's control, the delivery of the W.B. Yeats was delayed by the builder FSG. This necessitated Irish Ferries cancelling 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 the majority of whom were accommodated on alternative Irish Ferries sailings or via landbridge. The vessel is now in operation bringing new standards of cruise ferry travel to our customers with capacity for 1,885 passengers and their cars together with up to 165 freight units. This compares with 1,450 passengers and 60 freight units with the existing Oscar Wilde. We look forward to developing the revenue growth opportunities with this vessel.

Group Finance Review – continued**Fleet - continued**

In conjunction with the delivery of the W.B. Yeats, the Group took the decision to concentrate its year round services to France solely on the Dublin/ Cherbourg service. This was to facilitate the growth of direct freight services to France and the majority of our customers who can access Dublin Port more conveniently via the national motorway network. While the Group had planned continuing an additional summer only service out of Rosslare with the Oscar Wilde, this plan unfortunately had to be cancelled following the National Transport Authority's interpretation of the EU Regulation covering Sea Passengers discussed below, which is especially penalising for operations out of peripheral ports like Rosslare. The Group is exploring other opportunities for deployment of the Oscar Wilde.

The Epsilon remains on charter with the Group until November 2020 with a further option period of one year. This vessel alternates seasonally on routes between Dublin/ Holyhead and Dublin/ France. It is intended to return this vessel to owners on delivery of the second new vessel.

Legal Challenge to the National Transport Authority interpretation of the EU Regulation no 1177/2010

Following the National Transport Authority's (NTA) interpretation of the EU Regulation no 1177/2010 in respect of the cancellations that arose last year resulting from the delayed delivery by FSG of our new W.B. Yeats ship, Irish Ferries can confirm that they have taken the first step in the legal process to challenge this decision in the courts.

Irish Ferries, having notified its customers months in advance, believes that it took every reasonable action against the backdrop of these extraordinary circumstances to provide its customers with alternative travel options, from a no-quibble immediate refund to allow them to make alternative travel plans, or facilitating alternative sailings and landbridge (with reimbursement of fuel costs) via the UK. In addition to offering alternative arrangements or full refunds, a goodwill gesture of €150 discount for a sailing to France this year has already been provided to all those impacted, and there has been significant take-up of that discount voucher this year.

Irish Ferries firmly believes that consumer protection should be reasonable, proportionate and in full compliance with the law. We also believe that the EU Regulation covering Sea Passengers should be comparable with other modes of transport. This is not the case under current EU Regulations as airline passengers have no right to compensation in the event of cancellations where they have been given a minimum of 2 weeks' notice whereas, under the NTA interpretation of the EU Regulation, Sea Passengers have a right to compensation even if 2 years notice is given of a cancellation.

The uncertainty caused by the NTA interpretation of the EU Regulation covering Sea Passengers has already unfortunately led us to close one route from Rosslare to France.

We believe it is in the best interests of our customers to protect the viability of direct links to the Continent which is now all the more critical against the backdrop of the proposed UK exit from the EU. These direct links are threatened by what we strongly believe to be the NTA's incorrect interpretation of the Regulation, and hence the importance of proceeding with this legal challenge.

Current Trading and Outlook

Following the challenging year operationally in our Ferries Division, our vessels are now operating on their planned schedules. The newly introduced W.B. Yeats currently operating on Dublin/ Holyhead will switch to the Dublin/ Cherbourg service in mid-March in conjunction with the recommencement of our Dublin Swift fastcraft service on Dublin/ Holyhead.

In the period from 1 January 2019 to 2 March 2019 in the Ferries Division, Irish Ferries roro freight carryings have increased to 47,500 units, an increase of 10.4% over the same period in the prior year. This is largely attributable to the increased capacity provided by the W.B. Yeats on the Dublin/ Holyhead route during the 2019 drydock programme, assisted by more benign weather conditions than in the same period in 2018.

Irish Ferries tourism volumes were affected by the decision to suspend the tourism only fastcraft services during the Winter months, together with a later availability on our booking system of certain sailings pending final commissioning of the W.B. Yeats. Car volumes at 31,700 cars were down 9.7%, over the similar period in 2018, while passenger carryings at 119,000 were down 11.3%. The planned winter layup of the Dublin Swift is instrumental to driving cost savings and operational efficiencies.

In the Container and Terminal Division the growth trend seen in 2018 has continued into 2019 with overall container volumes shipped up 7.5%, while port lifts were up 5.9% in the period from 1 January 2019 to 2 March 2019 compared to the same period in the prior year.

World fuel prices strengthened over 2018, but the current levels in early 2019 remain at manageable levels with our fuel surcharge mechanisms partially mitigating the volatility effect.

Whilst mindful of the uncertainty created by the proposed exit of the UK from the EU, with significantly increased fleet capacity and the new year-round freight offering on our direct service on the Dublin/ Cherbourg route we are well placed to target volume growth in all our markets. We look forward to leveraging the revenue generating opportunities of our recent investments in the W.B. Yeats and Dublin Swift.

John B. McGuckian
Chairman

Condensed Consolidated Income Statement for the year ended 31 December 2018

	Notes	2018 €m	2017 €m
Revenue		330.2	335.1
Depreciation and amortisation		(22.1)	(20.7)
Employee benefits expense		(22.8)	(22.5)
Other operating expenses		(239.0)	(231.6)
		46.3	60.3
Non-trading items	5	13.7	28.7
Operating profit		60.0	89.0
Finance income		0.2	-
Finance costs		(1.0)	(1.3)
Profit before taxation		59.2	87.7
Income tax expense	3	(1.4)	(4.4)
Profit for the financial year: all attributable to equity holders of the parent		57.8	83.3
Earnings per ordinary share – expressed in cent per share			
Basic		30.4c	44.1c
Diluted		30.2c	43.8c

Condensed Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

	Notes	2018 €m	2017 €m
Profit for the financial year		57.8	83.3
Items that may be reclassified subsequently to profit or loss:			
Net settlement of cash flow hedge		-	0.2
Exchange differences on translation of foreign operations		(0.1)	(0.6)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/ gain on defined benefit pension schemes		(8.1)	17.5
Deferred tax on defined benefit pension schemes		0.1	(0.2)
Other comprehensive (expense)/ income for the financial year		(8.1)	16.9
Total comprehensive income for the financial year: all attributable to equity holders of the parent		49.7	100.2

Condensed Consolidated Statement of Financial Position as at 31 December 2018

	Notes	2018 €m	2017 €m
Assets			
Non-current assets			
Property, plant and equipment		307.7	249.5
Intangible assets		0.4	0.5
Retirement benefit surplus	8	2.5	8.1
		310.6	258.1
Current assets			
Inventories		3.3	2.7
Trade and other receivables		75.7	42.2
Cash and bank balances	6	124.7	90.3
		203.7	135.2
Total assets		514.3	393.3
Equity and liabilities			
Equity			
Share capital		12.4	12.3
Share premium		19.4	18.9
Other reserves		(10.8)	(13.1)
Retained earnings		231.9	205.7
Equity attributable to equity holders		252.9	223.8
Non-current liabilities			
Borrowings	6	204.7	50.0
Deferred tax liabilities		0.6	0.8
Provisions		0.4	0.5
Deferred grant		-	0.2
Retirement benefit obligations	8	4.2	3.4
		209.9	54.9
Current liabilities			
Borrowings	6	0.3	0.7
Trade and other payables		49.7	112.4
Current income tax liabilities		0.2	0.9
Provisions		1.3	0.5
Deferred grant		-	0.1
		51.5	114.6
Total liabilities		261.4	169.5
Total equity and liabilities		514.3	393.3

Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2018

	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 year	-	-	-	57.8	57.8
Other comprehensive expense	-	-	-	(8.1)	(8.1)
Total comprehensive expense for the financial year	-	-	-	49.7	49.7
Employee share-based payments expense	-	-	2.4	-	2.4
Share issue	0.1	0.5	-	-	0.6
Dividends (note 4)	-	-	-	(23.5)	(23.5)
Transferred to retained earnings on exercise of share options	-	-	(0.1)	0.1	-
	0.1	0.5	2.3	26.3	29.2
Balance at 31 December 2018	12.4	19.4	(10.8)	231.9	252.9
Analysed as follows:					
Share capital					12.4
Share premium					19.4
Other reserves					(10.8)
Retained earnings					231.9
					252.9

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	-	2.4	-	2.4
Transferred to retained earnings on exercise of share options	-	(0.1)	-	(0.1)
	-	2.3	-	2.3
Balance at 31 December 2018	7.3	3.8	(21.9)	(10.8)

Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2017

	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 (expense)/ income	-	-	(0.4)	17.3	16.9
Total comprehensive (expense)/ 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 (expense)/ 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 year ended 31 December 2018

	Notes	2018 €m	2017 €m
Net cash inflow from operating activities	7	61.5	71.8
Cash flow from investing activities			
Net proceeds on disposal of property, plant and equipment		17.4	44.7
Purchases of property, plant and equipment		(176.1)	(17.0)
Purchases of intangible assets		(0.1)	-
Net cash (outflow)/ inflow from investing activities		(158.8)	27.7
Cash flow from financing activities			
Dividends paid to equity holders of the Company		(23.5)	(22.2)
Repayments of bank borrowings		-	(77.7)
Repayments of obligations under finance leases		(0.7)	(0.7)
Proceeds on issue of ordinary share capital		0.6	3.3
Settlement of equity plans through market purchase of shares		-	(3.0)
New bank loans raised		155.0	49.0
Net cash inflow/ (outflow) from financing activities		131.4	(51.3)
Net increase in cash and cash equivalents		34.1	48.2
Cash and cash equivalents at the beginning of the year		90.3	42.2
Effect of foreign exchange rate changes		0.3	(0.1)
Cash and cash equivalents at the end of the year	6	124.7	90.3

Notes to the Condensed Financial Statements for the year ended 31 December 2018

1. Accounting policies

The financial information presented in this report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as set out in the Group's annual financial statements in respect of the year ended 31 December 2017 except as noted below. The financial information does not include all the information and disclosures required in the annual financial statements. The Annual Report will be distributed to shareholders and made available on the Company's website www.icg.ie in due course. It will also be filed with the Company's annual return in the Companies Registration Office. The auditors have reported on the financial statements for the year ended 31 December 2018 and their report was unqualified and did not contain any matters to which attention was drawn by way of emphasis. The financial information for the year ended 31 December 2017 represents an abbreviated version of the Group's statutory financial statements on which an unqualified audit report was issued and which have been filed with the Companies Registration Office.

Basis of preparation and accounting policies

The financial information contained in this Preliminary Statement has been prepared in accordance with the accounting policies set out in the last annual financial statements with the exception of changes in accounting policy in respect of IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers which are described below.

The following standards are effective from 1 January 2018.

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.

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.

Notes to the Condensed Financial Statements for the year ended 31 December 2018 - continued

1. Accounting policies – continued

IFRS 9 Financial Instruments – continued

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

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 year ended 31 December 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.

Group

	Previous IAS 39 classification	IFRS 9 classification	Original IAS 39 carrying amount €m	IFRS 9 carrying amount €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

Company

	Previous IAS 39 classification	IFRS 9 classification	Original IAS 39 carrying amount €m	IFRS 9 carrying amount €m
Trade and other receivables	Loans and receivables	Amortised cost	140.6	140.6
Cash and cash equivalents	Loans and receivables	Amortised cost	27.3	27.3

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 year ended 31 December 2018.

Notes to the Condensed Financial Statements for the year ended 31 December 2018 - continued

1. 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 and has not restated the prior year comparative figures. 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 revenue recognition principles are being applied consistently across the Group.

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 Group'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 year ended 31 December 2018, the effect of the change in policy on the Condensed Consolidated Income Statement was to decrease operating profit by net €0.1 million.

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*
IFRIC 23 — 'Uncertainty over Income Tax Treatments'	1 January 2019
Amendments to IFRS 9 'Prepayments features with Negative Compensation'	1 January 2019
Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures'	1 January 2019*
Annual improvements to IFRS Standards 2015-2017 Cycle	1 January 2019*
Amendments to IAS 19 'Plan Amendment, Curtailment of Settlement'	1 January 2019*
Definition of a Business (Amendments to IFRS 3)	1 January 2020*
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020*

*Not yet endorsed by the EU

Notes to the Condensed Financial Statements for the year ended 31 December 2018 - continued

1. Accounting policies – continued

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.

The application of IFRS 16 to leases is not expected to have a material effect on Group net assets, but will have a material effect individually on gross assets and gross liabilities. The effects on Group profits before tax is expected to be immaterial 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.

The Group will adopt the simplified transition approach and will therefore not restate the comparative period. The estimated effects on the Group's financial statements on adoption of the standard is dependent on the contractual terms at date of adoption and the Group's incremental borrowing costs together with the use of the practical expedients.

The Group's non-cancellable lease commitments at 1 January 2019 were €70.9 million. The principal leases related to long term leases of property with outstanding terms of between 77 and 103 years, other port operating commitments which represent right to use assets and a lease relating to the charter of a Ro-Pax vessel.

The Group is continuing to finalise its estimate of the incremental borrowing rate and the assessment of its implementation options under IFRS 16 prior to reporting its 2019 results but expects to avail of the practical expedients to exclude short term leases of less than 12 months duration and low value leases. On that basis the Group's current best mid-range estimates of the impact of adopting IFRS 16 is as follows;

- on the opening statement of consolidated financial position an increase in the carrying value of property plant and equipment of €31.1 million and an increase in liabilities for right to use assets of €31.1 million, having no effect on equity attributable to shareholders
- on the full year consolidated income statement in 2019, a reduction in operating expenses of €9.4 million with an increase in depreciation of €8.7 million and finance costs of €1.0 million, a net decrease in profit before tax of €0.3 million
- on non IFRS measures to increase Group net debt by €31.1 million and increase 2019 EBITDA by €9.4 million

The income statement effects are expected to accrue evenly over the course of the financial year.

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.

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.

Notes to the Condensed Financial Statements for the year ended 31 December 2018 - continued

2. Segmental information

The Board is deemed the chief operating decision maker within the Group. For management purposes, the Group is currently organised into two operating segments: Ferries and Container & Terminal.

Revenue 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 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.

i) Revenue Analysis

By business segment:

	2018 €m	2017 €m
Ferries		
Passenger	109.2	117.9
Freight	76.8	79.1
Charter	10.2	15.1
	196.2	212.1
Container and Terminal		
Freight	143.3	131.9
Inter segment revenue	(9.3)	(8.9)
Total	330.2	335.1

By geographic origin of booking:

	2018 €m	2017 €m
Ireland	156.7	162.8
United Kingdom	64.3	65.5
Netherlands	60.8	57.9
Belgium	29.9	27.6
France	6.3	7.4
Other	12.2	13.9
	330.2	335.1

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

ii) Profit for the financial year

	Ferries		Container & Terminal		Group Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Operating profit	34.2	49.1	12.1	11.2	46.3	60.3
Finance income	0.2	-	-	-	0.2	-
Finance costs	(0.6)	(1.2)	(0.4)	(0.1)	(1.0)	(1.3)
Non-trading items	13.7	28.7	-	-	13.7	28.7
Profit before tax	47.5	76.6	11.7	11.1	59.2	87.7
Income tax expense	(0.5)	(3.5)	(0.9)	(0.9)	(1.4)	(4.4)
Profit for the financial year	47.0	73.1	10.8	10.2	57.8	83.3

Notes to the Condensed Financial Statements for the year ended 31 December 2018 - continued

2. Segmental information – continued

iii) Operating costs

	Ferries		Container & Terminal		Group Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Fuel	33.7	29.2	14.5	11.1	48.2	40.3
Labour costs	24.4	23.6	6.7	6.4	31.1	30.0
Port costs	39.7	40.4	29.4	28.5	69.1	68.9
Other costs	27.6	34.7	72.3	66.6	99.9	101.3
Intersegment cost	(1.2)	(1.2)	(8.1)	(7.7)	(9.3)	(8.9)
Total operating costs	124.2	126.7	114.8	104.9	239.0	231.6

iv) Statement of Financial Position

	Ferries		Container & Terminal		Group Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Assets						
Segment assets	334.4	251.3	55.2	51.7	389.6	303.0
Cash and cash equivalents	94.5	81.2	30.2	9.1	124.7	90.3
Consolidated total assets	428.9	332.5	85.4	60.8	514.3	393.3
Liabilities						
Segment liabilities	31.9	95.3	24.5	23.5	56.4	118.8
Borrowings	204.3	49.8	0.7	0.9	205.0	50.7
Consolidated total liabilities	236.2	145.1	25.2	24.4	261.4	169.5

Notes to the Condensed Financial Statements for the year ended 31 December 2018 - continued

3. Income tax expense

	2018	2017
	€m	€m
Current tax	1.5	6.5
Deferred tax	(0.1)	(2.1)
Income tax expense for the year	1.4	4.4

The Company and its Irish tax resident subsidiaries have elected to be taxed under the Irish tonnage tax method. Under the tonnage tax method, taxable profit on eligible activities is calculated on a specified notional profit per day related to the tonnage of the ships utilised.

In accordance with the IFRIC guidance on *IAS 12 Income Taxes*, the tonnage tax charge is not considered an income tax expense and has been included in other operating expenses in the Consolidated Income Statement.

Domestic income tax is calculated at 12.5% of the estimated assessable profit for the year for all activities which do not fall to be taxed under the tonnage tax system. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The income tax expense for the year includes a current tax charge of €1.5 million and a deferred tax credit of €0.1 million relating to non-trading items (note 5).

The total expense for the year is reconciled to the accounting profit as follows:

	2018	2017
	€m	€m
Profit before tax	59.2	87.7
Tax at the domestic income tax rate of 12.5% (2017: 12.5%)	7.4	11.0
Effect of tonnage relief	(5.6)	(5.6)
Net utilisation of tax losses	(0.1)	(0.3)
Difference in effective tax rates	0.4	0.3
Other items	(0.7)	(1.0)
Income tax expense recognised in the Consolidated Income Statement	1.4	4.4

Notes to the Condensed Financial Statements for the year ended 31 December 2018 - continued

4. Earnings per share

	2018	2017
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	190,037	188,801
Effect of dilutive potential ordinary shares: Share options	1,405	1,208
Weighted average number of ordinary shares for the purpose of diluted earnings per share	191,442	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 year 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 net interest on defined benefit pension obligations and the effect of non-trading items after tax.

The prior year reported adjusted basic earnings per share and adjusted diluted earnings per share has been represented to include the tax effect on non-trading items.

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:

	2018	2017
	€m	€m
Earnings		
Earnings for the purpose of basic and diluted earnings per share - Profit for the financial period attributable to equity holders of the parent	57.8	83.3
Effect of non-trading items after tax	(13.7)	(24.9)
Effect of net interest (income)/ expense on defined benefit pension schemes	(0.1)	0.2
Earnings for the purpose of adjusted earnings per share	44.0	58.6
	Cent	Cent
Basic earnings per share	30.4	44.1
Diluted earnings per share	30.2	43.8
Adjusted basic earnings per share	23.1	31.0
Adjusted diluted earnings per share	23.0	30.8

Diluted earnings per ordinary share

Diluted earnings per Ordinary Share is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume the exercise of all vested share option awards at 31 December. Share option awards which have not yet satisfied the required performance conditions for vesting are excluded from the calculation. The dilutive effect of vested share options is calculated as the difference in the average market value during the period and the option price expressed as a percentage of the average market value. Of the 2,399,000 (2017: 1,714,000) vested options at 31 December 2018, the dilutive effect is 1,405,000 ordinary shares (2017: 1,208,000 ordinary shares).

Notes to the Condensed Financial Statements for the year ended 31 December 2018 - continued

5. Non trading items

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 fastcraft 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.

	2018 €m	2017 €m
Consideration		
Total consideration	15.5	45.0
Gain on disposal of vessel		
Consideration	15.5	45.0
Disposal costs	(0.5)	(0.3)
Performance pay associated with disposal	(0.2)	(0.6)
Net proceeds	14.8	44.1
NBV of vessels disposed	(1.1)	(15.4)
Gain on disposal	13.7	28.7
Tax payable (2017: 12.5%)	-	5.6
Deferred tax credit on disposal of vessel	-	(1.8)
Tax on disposal	-	3.8
Net gain on disposal after tax	13.7	24.9

6. 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 €m	Bank Loans €m	Loan Notes €m	Leases €m	Origination fees €m	Total €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	34.4	-	-	-	-	34.4
Drawdown	-	(155.0)	-	-	-	(155.0)
Repayment	-	-	-	0.7	-	0.7
	34.4	(155.0)	-	0.7	-	(119.9)
At 31 December 2018						
Current assets	124.7	-	-	-	-	124.7
Creditors due within one year	-	-	-	(0.3)	-	(0.3)
Creditors due after one year	-	(155.0)	(50.0)	(0.7)	1.0	(204.7)
	124.7	(155.0)	(50.0)	(1.0)	1.0	(80.3)

The loan drawdown and repayments have been made under the Group's loan facilities.

Notes to the Condensed Financial Statements for the year ended 31 December 2018 - continued

6. Net cash and borrowing facilities - continued

ii) The maturity profile and available borrowing and cash facilities available to the Group at 31 December 2018 are set out in the following table:

	Facility €m	Undrawn €m	On-hand / drawn €m	Less than 1 year €m	Maturity Profile		
					Between 1 – 2 years €m	Between 2 – 5 years €m	More than 5 years €m
Cash	-	-	124.7	124.7	-	-	-
Committed lending facilities							
Bank overdrafts	15.4	15.4	-	-	-	-	-
Bank loans	230.0	75.0	155.0	-	3.2	30.9	120.9
Loan notes	50.0	-	50.0	-	-	-	50.0
Leases	1.0	-	1.0	0.3	0.7	-	-
Committed lending facilities	296.4	90.4	206.0	0.3	3.9	30.9	170.9
Uncommitted lending facilities							
Bank loans	50.0						
Loan notes	190.2						
Uncommitted lending facilities	240.2						

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.

Notes to the Condensed Financial Statements for the year ended 31 December 2018 - continued

7. Net cash inflow from operating activities

	2018 €m	2017 €m
Operating activities		
Profit for the financial year	57.8	83.3
Adjustments for:		
Finance costs (net)	0.8	1.3
Income tax expense	1.4	4.4
Retirement benefit schemes – current service cost	1.7	1.8
Retirement benefit schemes – curtailment gain	(0.5)	-
Retirement benefit schemes – payments	(2.8)	(2.9)
Depreciation of property, plant and equipment	21.9	20.5
Amortisation of intangible assets	0.2	0.3
Amortisation of deferred grant	-	(0.1)
Share-based payment expense	2.4	1.1
Gain on disposal of property, plant and equipment	(15.1)	(29.1)
Decrease/ (increase) in provisions	0.7	(0.2)
Operating cash flow before movements in working capital	68.5	80.4
Increase in inventories	(0.6)	(0.4)
Increase in receivables	(4.6)	(2.6)
Increase in payables	1.4	1.1
Cash generated from operations	64.7	78.5
Income taxes paid	(2.2)	(5.6)
Interest paid	(1.0)	(1.1)
Net cash inflow from operating activities	61.5	71.8

Working capital movements exclude accruals of €nil million (2017: €64.6 million) relating to vessel work in progress balances not yet paid and prepayments in line with contractual terms for works not yet undertaken of €28.9 million (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.

8. Retirement benefit schemes

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2018		2017	
	Sterling	Euro	Sterling	Euro
Discount rate	2.65%	1.80%	2.35%	1.80%
Inflation rate	3.45%	1.50%	3.40%	1.60%
Rate of increase of pensions in payment	3.15%	0.60% – 0.70%	3.10%	0.70% – 0.80%
Rate of pensionable salary increases	1.00%	0.00% – 1.00%	0.95%	0.00% – 1.00%

Notes to the Condensed Financial Statements for the year ended 31 December 2018 - continued

8. Retirement benefit schemes - continued

The average life expectancy used in all schemes at age 60 is as follows:

	2018		2017	
	Male	Female	Male	Female
Current retirees	26.3 years	29.0 years	26.3 years	29.0 years
Future retirees	28.7 years	31.2 years	28.6 years	31.2 years

The amount recognised in the balance sheet in respect of the Group's defined benefit obligations, is as follows:

	Schemes with Liabilities in Sterling		Schemes with Liabilities in Euro	
	2018	2017	2018	2017
Equities	9.2	10.5	91.2	117.6
Bonds	13.4	13.8	93.3	95.2
Diversified funds	-	-	35.3	24.9
Property	0.3	0.3	19.4	18.7
Other	<u>1.2</u>	<u>1.3</u>	<u>1.0</u>	<u>1.1</u>
Market value of scheme assets	24.1	25.9	240.2	257.5
Present value of scheme liabilities	<u>(22.4)</u>	<u>(23.8)</u>	<u>(243.6)</u>	<u>(254.9)</u>
Surplus/ (deficit) in schemes	1.7	2.1	(3.4)	2.6

The movement during the year is reconciled as follows:

	2018	2017
	€m	€m
Movement in retirement benefit schemes net (deficit)/ surplus		
Opening surplus/ (deficit)	4.7	(13.5)
Current service cost	(1.7)	(1.8)
Curtailment gain	0.5	-
Employer contributions paid	2.8	2.9
Net interest income/ (cost)	0.1	(0.2)
Actuarial (loss)/ gain	(8.1)	17.5
Other	-	(0.2)
Net (deficit)/ surplus	(1.7)	4.7
Schemes in surplus	2.5	8.1
Schemes in deficit	(4.2)	(3.4)
Net (deficit)/ surplus	(1.7)	4.7

Notes to the Condensed Financial Statements for the year ended 31 December 2018 - continued

9. Related party transactions

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

During the year ended 31 December 2018 the material transactions between Irish Continental Group plc and its key management personnel were the remuneration of employees and Directors, the participation in Group dividends on the same terms available to shareholders generally, and the provision of professional services at arm's length basis.

10. General information

The Condensed financial statements in this preliminary announcement do not constitute full statutory financial statements ("Financial Statements"), a copy of which is required to be annexed to the annual return to the Companies Registration Office. A copy of the financial statements in respect of the financial year ended 31 December 2018 will be annexed to the annual return for 2019. The auditors have made a report, without any qualification on their audit, of the financial statements in respect of the financial year ended 31 December 2018 and the Directors approved the financial statements in respect of the financial year ended 31 December 2018 on 6 March 2019. A copy of the financial statements in respect of the year ended 31 December 2017 has been annexed to the annual return for 2018 filed at the Companies Registration Office.

The financial statements have been prepared in accordance with IFRS as adopted by the European Union and therefore the Group's financial statements comply with Article 4 of the IAS Regulations. The consolidated financial statements have also been prepared in accordance with the Companies Acts 2014, and the Listing Rules of Euronext Dublin and the UK Listing Authority.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments.

Certain financial measures set out in our Preliminary Statement of Results for the year ended 31 December 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 Company'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 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 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 less cash and cash equivalents.	Measures the Group's ability to repay its debts if they were to fall due immediately.

Terms and abbreviations	
teu	20 foot equivalent unit, an industry standard measurement for container ships.
RoRo unit	Roll on, Roll off freight unit of any length either accompanied or unaccompanied carried on Ropax ferries.
LoLo unit	Lift on, Lift off container unit of any size.
Ropax	A cruise ferry capable of carrying both passengers and RoRo freight.
Non-trading item	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.
ICG Unit	ICG Unit is a stock exchange trading unit of ICG equity with each unit comprising one ordinary share and up to ten redeemable shares (if any in issue).

Notes to the Condensed Financial Statements for the year ended 31 December 2018 - continued

11. Events after the Reporting Period

The Board is proposing a final dividend of 8.56 cent per ICG unit in respect of the results for the year ended 31 December 2018.

The W.B. Yeats was delivered in December 2018 and began sailings on the 22nd January 2019.

There have been no other material events affecting the Group since 31 December 2018.

12. Board Approval

This preliminary announcement was approved by the Board of Directors of Irish Continental Group plc. on 6 March 2019.

13. Annual Report and Annual General Meeting

The Group's Annual Report and notice of Annual General Meeting, which will be held on Friday 17 May 2019, will be notified to shareholders in April 2019.