CHAIRMAN'S STATEMENT

Results

2003 was a challenging year in the tourism and trade markets in which Irish Continental Group operates. We achieved volume growth in these difficult markets, although pricing in both markets remained extremely competitive. The first half of the year was difficult with the uncertainty surrounding the Iraqi conflict and a testing economic climate leading to a fall in earnings. However the second half of the year saw a recovery in the world economy leading to improved trade flows and ICG benefited as a result. Full year results show an increase of 4% in turnover to €304.3 million but a 17% decrease in operating profit before exceptional items to €28.9 million. Cash generation remained strong and we repaid €27.9 million of debt and repurchased €9.8 million of shares. Adjusted earnings per share (before exceptional items and goodwill) rose 8% to 91.4 cent. Basic EPS fell 9% to 71.6 cent.

Turnover for the year grew to €304.3 million (2002 €293.6 million) driven by volume growth in both cars and freight, leading to record carrying levels of 407,000 cars, 201,000 freight vehicles and 485,000 twenty foot equivalent units (teu's). However the positive effect of the volume growth was offset to some extent by the negative currency effects of the stronger Euro and a competitive pricing environment which reduced yields by 4% overall and led to a fall in operating profits.

EBITDA for the year was €48.6 million while cash inflow from operating activities was €54.4 million. The interest charge was down to €6.4 million, reflecting reduced debt levels arising from our strong cash flow and the lower interest rate environment. The tax charge was €0.3 million compared with €3.1 million in 2002, resulting from the release of deferred tax provisions no longer required.

Our net debt has reduced by €32.4 million to €125 million while we continued our investment in the expansion of the Dublin Ferryport Terminal container facility and continued our share buyback programme. In 2003 we repurchased 1.23 million shares at a cost of €9.8 million.

Second Half Results

The Group's business is seasonal with the second half of the year being the more significant. In the second half of 2003 sales were €167.4 million (€166.0 million the previous year), operating profit before depreciation, amortisation and exceptional items was €35.2 million (2002: €43.0 million) and profit before tax was €20.6 million compared with €20.8 million last year

Share Buyback

In 2002 we instituted a share buyback programme given the Company's strong cashflows. This programme was continued in the current year. In 2003 the company repurchased 1,232,049 of its own company share units at a cost of €9.8 million. Of these, 207,000 units are held as treasury shares while the remainder have been cancelled. The cost of repurchase of these ICG units has been deducted from distributable reserves and the nominal value of the shares repurchased has been added to the capital redemption reserve fund.

Distributions and Redemptions

The Board has decided to redeem one Redeemable Share per ICG unit for a cash consideration of 15c per Redeemable Share. Accordingly no final dividend will be paid. In October 2003 the Board redeemed one Redeemable share per ICG unit for a consideration of 7.5c per Redeemable Share. This represents a total payment to shareholders of 22.5c, an increase of 14% on the total dividend of 19.665c paid in respect of last year.

Payment will be made on 21 May 2004 to Shareholders on the Company's register on 23 April 2004.

Board

It is my intention to retire as Chairman of the company on April 30th, the date of our Annual General Meeting, having served over 16 years in the role. I will be succeeded as Chairman by John McGuckian, who is currently the Senior Independent Non-Executive Director.

Liam Booth, with whom I have served as Director of the company since 1987, will also retire from the Board on April 30th. On behalf of my fellow Directors and on the company's behalf I would like to pay tribute to Liam and thank him for his valuable contribution since joining the Board almost 17 years ago, during which time the company has developed enormously.

In September 2003 we announced the appointment of Peter Crowley to the Board as a non-executive director. As of 8 March 2004 Bernard Somers will also join the Board as a non-executive director. In accordance with the Articles of Association of the Company, both Peter Crowley and Bernard Somers will seek re-election at the Annual General Meeting on April 30th 2004.

Corporate Developments

In 2003 we began a process of consultation with our workforce with the intention of restoring our cost competitiveness which has been eroded in recent years by the rate of wage inflation in Ireland (compared with the industry across Europe) and the adverse affects of the appreciating Euro on our cost base. Our intention is to achieve a reduction in our on-going costs. A restructuring provision has been taken as an exceptional charge within the 2003 accounts for the costs of achieving these reductions.

Outlook

Our second half performance has encouraged us as we start the year 2004. Trading to date is broadly in line with 2003. The world economy appears to be in recovery which augurs well for trade movements. On the tourism side, the market remains extremely competitive with the evolution of low cost air travel becoming more broad-based than heretofore. This is likely to impact on our longer route to France more so than our routes to the UK where we have competed with low air fares for many years.

Arising from the very competitive pricing environment, we continue to focus on generating cost savings from our operations. The fall in the value of the US dollar is favourable to us, although this is partially offset by continued high oil prices and the strength of the Euro versus Sterling where the bulk of our passenger revenue is generated. The reduction in Ireland's rate of inflation is a welcome development in terms of cost curtailment. The success of our current cost saving programme will be critical to the success of the Group going forward. We remain confident in the quality of our fleet, which will allow us to capitalise on market growth. The quality of our asset base coupled with our continued strong cash flows mean that we are well positioned for the future.

In conclusion I would like to thank all of the people in Irish Continental Group for their commitment and effort throughout the year.

Thomas Toner, Chairman.