

FINANCIAL REVIEW

1. Results

	2003	2002
	€m	€m
Turnover <i>(Restated after FRS5 amendment)</i>	304.3	293.6
Operating costs	(275.4)	(258.7)
Goodwill	-	(1.8)
Restructuring provision	(4.8)	-
Total Costs	(280.2)	(260.5)
Operating Profit	24.1	33.1
Net Interest	(6.4)	(9.0)
Profit Before Tax	17.7	24.1
EBITDA	48.6	63.2
Net cash inflow from operating activities	54.4	68.5
Earnings per share	71.6c	78.3c
Adjusted earnings per share	91.4c	85.0c
Return on capital employed	8.7%	9.6%

Turnover Turnover for the year grew 4% to €304.3million driven by volume growth in both the passenger and freight markets. The year was characterised by an increasingly competitive environment. Although we achieved volume growth this was offset by a fall in yields.

Restructuring costs We have provided €4.8 million in the current year profit and loss account for restructuring charges. We commenced a consultation process with our employees during 2003 with a view to reducing payroll costs. This provision is the estimated cost of implementing the proposed changes.

Profit and EBITDA After the exceptional restructuring cost, EBITDA for the year decreased 23% to €48.6 million, while operating profit decreased by 27% to €24.1 million.

Interest The interest charge for the period decreased by 29% to €6.4 million reflecting the lower levels of debt and more favourable interest rates.

Taxation Irish Continental Group has made an election to be charged to tax under the Irish Tonnage Tax regime from 1 January 2004. As a result certain deferred tax provisions made in prior years in respect of activities eligible for

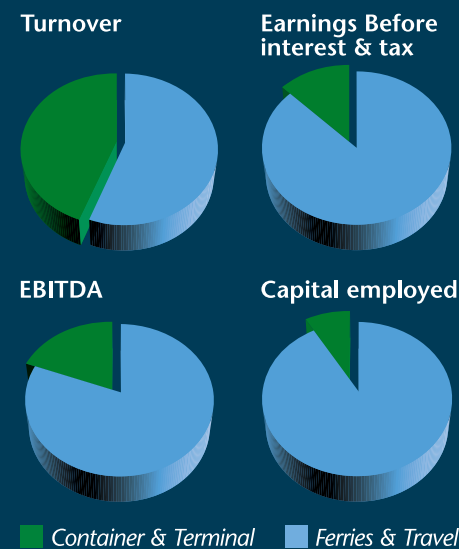
tonnage tax are no longer required. Provisions totalling €0.7 million were released in 2003.

Cash inflow Cash inflow from operating activities amounted to €54.4 million and we repaid €27.9 million. After FX adjustments, year end net debt stood at €125 million.

Earnings per share Adjusted earnings per share grew 8% to 91.4c. Adjusted earnings per share demonstrates the performance of the business before exceptional items and goodwill charges. Basic earnings per share decreased 9% to 71.6c.

FRS 5 As a result of the amendment to Financial Reporting Standard 5 Reporting the substance of transactions, turnover earned by the Group while acting in the capacity of agent is now presented on a net basis, with a corresponding adjustment to the prior year. This restatement of turnover has no effect on gross or net profit figures.

Results by operating division	Ferries & Travel	Container & Terminal
	€m	€m
Turnover	170.2	134.8
EBITDA	42.4	6.2
EBIT (pre goodwill and exceptional)	25.3	3.6
EBIT operating margin	14.9%	2.7%
Average capital employed	304.8	28.4
EBIT return on capital employed	8.3%	12.7%

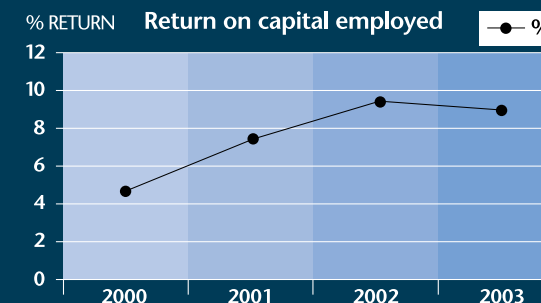


2. Cash flow and investment

	2003	2002
	€m	€m
Cash flow from operating activities	54.4	68.5
PBIT	24.1	33.1
EBITDA	48.6	63.2
EBITDA before restructuring provision	53.4	63.2

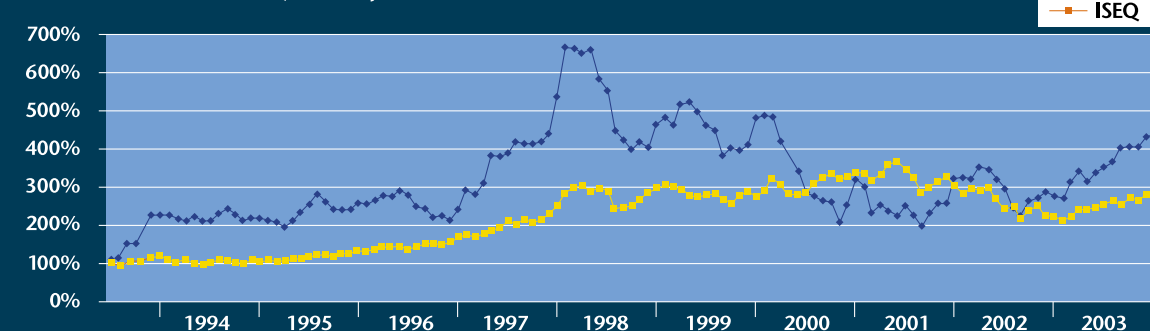
Total capital investment in the year amounted to €8.9 million. This was principally spent on the upkeep of our ships and on the continuation of the third phase of the development in the Dublin Ferryport Terminal. €2.8 million in lease financing was drawn down with all other expenditure funded from internally generated cash.

Return on capital employed during the period was 8.7% (2002: 9.6%).



During the year we spent €9.8 million repurchasing our shares and debt reduced by €32.4 million. Year-end net debt amounted to €125 million which represents a gearing level of 68% (2002: 85%). Year-end cash balances amounted to €12.2 million.

ICG unit vs ISEQ index. Jan 1994 - Dec 2003



Shareholders funds at year-end amounted to €183.5 million.

3. Capital Structure and Shareholders return

An ICG Unit comprises one Ordinary Share and a number of Redeemable Shares. ICG units outperformed the ISEQ during 2003, and cumulatively over the past ten years. The units traded in the range €6.55 to €10.70 during 2003, with a year-end share price of €10.70. The average daily price during the year was €8.55.

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.

In 2002 the Company instituted a share buyback programme funded through the Company's strong cash flows. This programme was continued in 2003 when the company repurchased 1,232,049 of its own share units at a cost of €9.8 million. Of these, 207,000 units are held as treasury shares while the remainder has been cancelled. These share unit purchases were in accordance with resolution passed at the Annual General Meeting of 30 April 2003. 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.

The redemption of redeemable shares and the share buyback totalled an €11.6 million return to shareholders in respect of 2003.

4. Taxation

Current taxation

The Group's current taxation charge for the year is €1.0 million, an effective tax rate of 6%.

Tonnage tax

The Irish Finance Act 2003 commenced new optional rules in relation to the taxation of shipping profits (tonnage tax). ICG has elected to be taxed under the tonnage tax regime, for all eligible activities, from 1 January 2004.

Deferred taxation

Following ICG's election to enter the Irish Tonnage Tax regime in 2004, deferred tax provisions made in prior years are no longer required for certain income streams. In 2003 provisions were released resulting in a net credit to the profit and loss account of €0.7 million.

Total tax charge

The tax charge in the profit and loss account amounts to €0.3 million.

5. Financial risk management

The funding of the Group's activities is managed centrally. In funding its operations the Group uses a mixture of financial instruments: Bank borrowings, finance leases and cash resources.

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

Interest rate management

The Group finances its operations through a mixture of shareholders' funds, bank borrowings and lease finance. The Group borrows in required currencies at both fixed and floating rates of interest.

The Group's policy is to fix interest rates on a proportion of the Group's medium to long term debt exposure in individual currencies, having regard to current market rates and future trends. The current target is to fix rates on approximately 60% of debt for between one and seven years. The Group uses interest rate swaps to manage interest rate exposure.

At 31 December 2003, 89% of the Group's gross debt was at fixed rates for a weighted average period of 2.9 years. The weighted average fixed rate of interest is 4.72% (2002: 5%).

Interest cover for the year was 3.7 times.

Currency management

The Group's primary operating currency is the Euro. The Group also has significant Sterling and US dollar cash flows. The Group's principal policy to minimise currency risk is to match foreign currency assets and liabilities and to match cash flows of like currencies. A significant proportion of the earnings from the Group's owned vessels are in foreign currencies and therefore the related borrowings are in the same foreign currencies.

The Group also reduces transactional currency risk in US dollars through the use of forward exchange contracts. This minimises exposure in relation to fuel and insurance costs and in container leasing. Sterling revenues and expenses are broadly matched, with excess revenues available to offset dollar costs.

In the year both the Sterling and US Dollar exchange rates weakened against the Euro. This had a broadly neutral effect as the Group is a net seller of Sterling and a net buyer of dollars.

Commodity price management

The Group chooses not to hedge in respect of fuel costs. The cost of the short term certainty arising from the use of fuel hedges is considered to be offset in the long term by the premium cost. Cost of fuel in 2003 amounted to €20.6 million in line with 2002.

Liquidity

It is Group policy to invest surplus cash balances on a short term basis. At year end 100% of the Groups cash resources had a maturity of less than 30 days.

To match the long term nature of the Group's investment in ships the majority of the Group's debt is also long term. At the year end 79% of the Group's borrowings are due to mature in more than one year (2002: 82%), of which 8% (2002: 21%) is due to mature after more than 5 years from the balance sheet date.

Overdraft and revolving debt facilities are in place to secure short term funding.

6. Accounting policies

Current financial reporting standards

During the year an amendment to FRS5 was published in respect of revenue recognition. In accordance with this amendment all revenue earned from our sales as an agent is now stated on a net basis. This has resulted in a restatement of prior year turnover and cost of sales, but has no effect on the profit figure. The previously stated revenue figure for 2002 has been reduced by €32.2 million, with a corresponding decrease in cost of sales.

We continue to account for pensions in accordance with SSAP24. The full implementation of the new standard FRS 17 Retirement Benefits is not now expected to become mandatory for the Group until the year ending 31 December 2005. The phased transitional disclosures, as required by that standard, are presented in note 27. These indicate a surplus of assets over liabilities of €12.4 million, after deferred tax.

International financial reporting standards

The Company is aware that as a publicly quoted company it will be required to produce financial statements and annual reports for all accounting periods starting after 1 January 2005 in accordance with International Financial Reporting Standards (IFRS). The Company is monitoring the development of IFRS, which have not yet been finalised. Given the continuing changes to IFRS the Company considers that it is not yet in a position to assess the final impact that the transition to IFRS will have on its reported results.

Gearoid O'Dea, Finance Director.

Some key Costs	12 months to 12 months to	
	31 Dec 2003	31 Dec 2002
	€m	€m
Labour costs	56.5	53.6
Port charges	30.0	30.1
Depreciation	24.8	28.7
Charters and other operating leases	26.7	23.9
Fuel	20.6	20.6