IRISH CONTINENTAL GROUP

Interim Report 2005

Key Points

	30 June 2005	30 June 2004
Revenue	€139.6m	€135.8m
EBITDA	€17.1m	€15.1m
Profit from Operations	€4.3m	€2.3m
EPS	6.4c	(2.5c)
Net Debt	€115.9m	€127.0m

Comment

In comment, Chairman, John B. McGuckian, stated:

"I am pleased to be able to report on improved profitability in the first half which is due to the absence of industrial disruption in the period and the flow through of some of our cost reducing initiatives, particularly in our staff costs both ashore and seagoing. Many of these cost savings have been offset by increases in fuel costs which, for the group, were €3.4 million higher than in the same period in 2004. The passenger market is weaker while the freight market is stronger. Given the changing patterns of travel behaviour, and the new sustained higher level of oil prices, we are developing proposals to bring our cost base to the levels applying internationally".

Irish Continental Group is a shipping, transport and leisure group principally engaged in the transport of passengers and cars, roll-on roll-off freight and container lift-on lift-off freight on routes between Ireland, the UK and Continental Europe. The Group also offers travel and holiday packages primarily in France, Britain and Ireland.

PRELIMINARY STATEMENT OF RESULTS FOR THE SIX MONTHS TO 30TH JUNE 2005

RESULTS

The Board of Irish Continental Group plc (ICG) reports that, in the seasonally less significant first half of the year, the Group recorded EPS of 6.4 cent compared with a loss per share of 2.5 cent (restated for IFRS) in the corresponding period in 2004. Revenue for the half year was €139.6 million (2004: €135.8 million). Profit from operations was €4.3 million, compared with €2.3 million in the same period in 2004. Finance costs fell from €2.8 million to €2.6 million resulting in profit before tax of €1.7 million compared with a loss of €0.5 million in the first half of 2004. The tax charge was €0.2 million (2004: €0.1 million).

The Board has now decided to redeem one redeemable share per ICG unit for a cash consideration of 9.91875 cent per redeemable share. This will be paid on 4 November 2005 to shareholders on the register at 14 October 2005. The consideration per redeemable share represents an increase of 15% on the interim redemption premium of 8.625 cent paid last year.

OPERATIONAL REVIEW

Ferries Division

The division comprises Irish Ferries, a leading provider of ferry services between Ireland and both the UK and Continental Europe and the chartering of multipurpose ferries to third parties.

Revenue in the division was €72.5 million (2004: €71.5 million). Profit from operations was €2.3 million (2004: €1.8 million). The results benefited from the absence of industrial action in the period (there had been disruption in February 2004).

Irish Ferries' core tourist business is car tourism and industry statistics indicate that the overall tourist car market from the UK to all European destinations is estimated to have declined by around 5% in the half year, due principally to additional airline competition. The UK market to Ireland has seen a similar decline. Our total cars carried were 162,000 (2004: 165,000). Total passenger numbers were affected by a decline in the foot passenger market and we recorded a 3% drop in overall passengers to 670,000.

Within this marketplace internet sales continue to develop strongly and this is leading to savings in distribution costs including a reduction in telephone call centre activity.

The overall Roll on Roll off freight market continues to grow and we also continue to grow, with our volumes up 7% to 107,000 units.

We continue to focus on generating cost savings to reflect the competitive environment in which we are operating. This focus is designed to bring our labour costs into line with those of our competitors who have had the benefit of international crewing costs and lower wage inflation rates than Ireland's over the last number of years. We achieved some benefits from rostering savings on the Irish Sea routes but these are not sufficient to position the Group to prosper in the medium term. The model which we have achieved on the French route (i.e. agency crew at international wage rates) has enabled us to reduce fares on our French route and offers a way forward for the benefit of the Group as a whole. We are now engaged in a review process, in an attempt to progress a sustainable way forward in crewing our Irish Sea vessels. This process is expected to produce proposals in the coming weeks.

Arising from the sustained rise in world oil prices, which on current trends will cost the ferries division an additional €6.3m in 2005 (+48%) compared with 2004, we are in the process of increasing our fuel surcharges.

In ship chartering the Pride of Bilbao remains on charter to P&O, servicing their Spanish destination from Portsmouth while the former Pride of Cherbourg has been subchartered by P&O, ultimately to Toll Shipping Pty, for service in New Zealand.

Container and Terminal Division

The division includes our intermodal freight services Eucon, Feederlink and Eurofeeders as well as our strategically located container terminal in Dublin, DFT.

Turnover in the division was €67.5 million (2004: €64.7 million). Profit from operations was €2.0 million compared with €0.5 million in 2004. This was a substantial improvement in margin, due mainly to the completion of the extension to our Dublin Container Terminal, but further improvement is necessary. Additional fuel costs of €1.0 million and €1.5 million in higher ship charter costs were incurred in the division.

Total containers shipped on continuing routes were down 5% at 231,000 teu reflecting our concentration on better paying business and a challenging environment with additional competitive capacity on the Irish Sea.

The cost outlook remains demanding, with increases in both fuel and ship charter rates. There is a trend towards consolidation in the industry with three of our competitors acquired during the period.

PRSI REBATE

In 1997 a refund scheme for employer contributions of social costs (PRSI) for seafarers was introduced, bringing Ireland into line with the practice in many other EU countries. (In the UK, seafarers in international waters are effectively exempt from National Insurance). This was introduced for a four year period up to 2000 and subsequently extended up to 31 December 2003. The Irish Government announced an extension of the scheme in November 2004 subject to EU approval which is awaited. A failure to renew this would cost the group in the region of €2.5m per annum.

MERCHANT NAVY OFFICERS PENSION FUND (MNOPF)

In our 2004 Annual Report we disclosed that the deficit attributable to ICG in respect of the MNOPF was in the range of £2.7 million to £6.2 million. The trustees of the MNOPF have now confirmed that the actuarial deficit, as at September 2005, is calculated at £3.27 million (€4.8 million approximately). This will be recovered by way of additional contributions, together with interest, over 9 years. As this is a defined benefit scheme it is intended to account for it as such under IAS19 subject to receipt of the necessary financial information from the MNOPF on a timely and regular basis.

FINANCE

Depreciation and amortisation in the half year was €12.8 million (2004: €12.8 million), while EBITDA for the 6 months amounted to €17.1 million (€15.1 million in 2004). Cash generated from operations was €21.7 million compared to €21.5 million in the corresponding period in 2004. Capital expenditure in the period was €8.7 million (2004: €8.3 million), mainly maintenance capital expenditure on our vessels and investment in information technology, principally new passenger and freight sales systems.

The average interest cost in the period was 4.4% compared with 4.6% in the first half of 2004. Net debt at the end of the period amounted to €115.9 million. This compares with €117.9 million at 31 December 2004.

The accounting policies used in the preparation of these interim results conform to International Financial Reporting Standards (IFRS) in 2005. Information on the impact of IFRS was previously released on 6th July 2005.

OUTLOOK

The peak tourist season, which is the most important period for us, has followed the pattern of the first half with growth in freight but weaker car volumes on the Irish Sea. With our new cost structure on our French route we have been able to maintain volumes on that route but yields have reduced as we pass on our cost savings in order to compete against subsidised competitors and increased air access. Overall our car volumes are down 4% year to date while our roll on roll off freight volumes are up 7%.

Given the changing patterns of travel behaviour and the higher level of fuel costs we are committed to developing and implementing our proposals to achieve staffing costs consistent with international norms.

John B. McGuckian
Chairman
8 September 2005

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CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	30 June 2005 €m	30 June 2004 €m	31 Dec 2004 €m
<u>Continuing operations</u>				
Revenue		139.6	135.8	293.3
Cost of sales		(118.9)	(115.8)	(222.6)
Gross profit		**20.7**	**20.0**	**70.7**
Distribution costs		(8.3)	(8.3)	(13.3)
Administrative expenses		(8.4)	(9.4)	(32.6)
Other operating expenses		0.3	-	(1.5)
Exceptional restructuring costs		-	-	(12.4)
Profit from operations		**4.3**	**2.3**	**10.9**
Finance costs		(2.6)	(2.8)	(5.4)
Profit/(loss) before taxation		**1.7**	**(0.5)**	**5.5**
Income tax expense		(0.2)	(0.1)	(1.1)
Profit/(loss) for the period: all attributable to equity holders of the parent		**1.5**	**(0.6)**	**4.4**
Earnings per ordinary share (cent)				
All from continuing operations				
- basic	4	6.4	(2.5)	18.7
- diluted	4	6.4	(2.5)	18.6

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE SIX MONTHS ENDED 30 JUNE 2004

	30 June 2005 €m	30 June 2004 €m	31 Dec 2004 €m
Exchange differences on translation of foreign operations	5.3	4.3	(2.3)
Actuarial losses on defined benefit pension schemes	(3.1)	(4.2)	(14.1)
Other	-	1.1	1.1
Net income / (expense) recognised directly in equity	**2.2**	**1.2**	**(15.3)**
Profit for the period: all attributable to equity holders of the parent	1.5	(0.6)	4.4
Total recognised income & expense for the year	**3.7**	**0.6**	**(10.9)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Share Capital	Share Premium	Capital Reserves	Retained Earnings	Total
Balance at 1 January 2005	**15.8**	**39.6**	**2.2**	**93.0**	**150.6**
Exchange differences arising on translation of foreign operations	-	-	-	5.3	5.3
Actuarial loss on defined benefit pension schemes	-	-	-	(3.1)	(3.1)
Net income recognised directly in Equity	**-**	**-**	**-**	**2.2**	**2.2**
Profit for the period	-	-	-	1.5	1.5
Total recognised income and expense for the period	**-**	**-**	**-**	**3.7**	**3.7**
Redemption of redeemable share capital	-	-	-	(4.0)	(4.0)
	-	**-**	**-**	**(0.3)**	**(0.3)**
Balance at 30 June 2005	**15.8**	**39.6**	**2.2**	**92.7**	**150.3**

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2005

	Notes	30 June 2005 €m	30 June 2004 €m	31 Dec 2004 €m
Assets				
Non current assets				
Property, plant & equipment	5	301.4	315.0	297.7
Other intangible assets		0.7	0.3	0.1
Retirement benefit asset		-	8.8	-
Other receivables		4.4	3.8	3.6
		306.5	**327.9**	**301.4**
Current assets				
Inventories		0.9	1.0	0.6
Trade & other receivables		38.1	48.5	42.6
Cash and cash equivalents		11.1	16.0	9.2
		50.1	**65.5**	**52.4**
Total assets		**356.7**	**393.4**	**353.8**
Equity and liabilities				
Capital and reserves				
Called-up equity share capital		15.8	15.7	15.8
Share premium account		39.6	39.4	39.6
Capital reserves		2.2	2.2	2.2
Retained income		92.7	108.3	93.0
Equity attributable to equity holders		**150.3**	**165.6**	**150.6**
Non-current liabilities				
Bank loans		93.7	100.3	92.3
Obligations under finance leases		6.7	9.3	8.5
Retirement benefit obligation		5.9	-	2.6
Deferred tax liabilities		5.1	5.0	5.1
Provisions		1.6	6.6	6.2
		113.0	**121.2**	**114.7**
Current liabilities				
Trade & other payables		62.1	67.5	56.7
Tax liabilities		4.7	5.7	5.5
Obligations under finance leases		4.1	4.1	4.3
Bank loans & overdrafts		22.5	29.3	22.0
		93.4	**106.6**	**88.5**
Total liabilities		**206.4**	**227.8**	**203.2**
Total equity and liabilities		**356.7**	**393.4**	**353.8**

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

	30 June 2005 €m	30 June 2004 €m	31 Dec 2004 €m
Cash flow from operating activities			
Profit / (loss) for the year	1.5	(0.6)	4.4
Adjustments for:			
Finance costs (net)	2.6	2.8	5.4
Income tax expense	0.2	0.1	1.1
Pension service cost	2.0	1.3	2.6
Depreciation of property, plant & equipment	13.0	13.0	26.3
Amortisation of deferred income	(0.2)	(0.2)	(0.2)
Profit on disposal of property, plant & equipment	-	-	(0.1)
Decrease in provisions	(4.3)	-	(0.7)
Cash flow from operating activities before movements in working capital	**14.8**	**16.4**	**38.8**
(Increase) / decrease in inventories	(0.3)	(0.3)	0.1
Decrease / (increase) in receivables	4.5	(0.2)	5.7
Increase / (decrease) in payables	4.6	6.4	(5.0)
Decrease in pension obligation	(1.8)	(0.8)	(0.5)
Increase in deferred income	-	-	0.3
Cash generated from operations	**21.8**	**21.5**	**39.4**
Income taxes paid	(0.9)	0.1	(0.5)
Interest paid	(2.1)	(3.5)	(6.9)
Net cash from operating activities	**18.8**	**18.1**	**32.0**
Investing activities			
Interest received	0.3	0.7	0.6
Proceeds on disposal of property, plant & Equipment	0.1	0.1	0.2
Purchases of property, plant and equipment	(8.1)	(8.3)	(13.5)
Purchase of intangible assets	(0.6)	-	-
Net cash used in investing activities	**(8.3)**	**(7.5)**	**(12.7)**

CONSOLIDATED CASH FLOW STATEMENT (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2005

Financing activities

Issue of ordinary share capital	-	0.5	0.8
Redemption of redeemable shares	(4.0)	(3.5)	(5.5)
Repurchase of own shares	-	(6.4)	(7.9)
Repayments of borrowings	(1.0)	-	(25.0)
Repayments of obligations under finance leases	(2.2)	(1.6)	(3.8)
New bank loans raised	-	4.0	17.0
New finance leases raised	0.1	1.3	3.0
Decrease in bank overdrafts	(0.3)	(0.7)	(0.4)
Net cash used in financing activities	**(7.4)**	**(6.4)**	**(21.8)**
Net increase / (decrease) in cash and cash equivalents	**3.1**	**4.2**	**(2.5)**
Cash and cash equivalents at the beginning of the year	**9.2**	**12.2**	**12.2**
Effect of foreign exchange rate changes	(1.2)	(0.4)	(0.5)
Cash and cash equivalents at the end of the year			
Bank balances and cash	**11.1**	**16.0**	**9.2**

NOTES TO THE FINANCIAL STATEMENTS
AS AT 30 JUNE 2005

1. International Financial Reporting Standards

Irish Continental Group plc (ICG) has adopted International Financial Reporting Standards (IFRS) as its primary accounting basis for all reporting periods beginning on or after 1 January 2005.

Full details of the accounting policies adopted by the Group on implementation of IFRS, and on the impact on the reported results and balance sheet of the Group at 31 December 2004 and 30 June 2004 of the transition to IFRS, were published on 6 July 2005 and are available on the Group's website www.icg.ie.

2. Segmental information: Analysis by class of business

	6 months ended				12 months ended	
	30 June 2005		30 June 2004		31 Dec 2004	
	Revenue €m	Profit €m	Revenue €m	Profit €m	Revenue €m	Profit €m
Ferries & Travel	72.5	2.3	71.5	1.8	164.3	20.8
Container and Terminal	67.5	2.0	64.7	0.5	129.8	2.5
Intersegment	(0.4)	-	(0.4)	-	(0.8)	-
Net Interest	-	(2.6)	-	(2.8)	-	(5.4)
Exceptional items	-	-	-	-	-	(12.4)
	139.6	**1.7**	**135.8**	**(0.5)**	**293.3**	**5.5**

3. Redemptions of preference shares / dividend

The Company has decided to redeem one redeemable share per ICG unit on 4 November 2005 to shareholders on the register at 14 October 2005, for a cash consideration of 9.91875c per redeemable share (2004: 8.625c). No interim dividend will be paid.

4. Earnings per share

	6 months to 30 June 2005	6 months to 30 June 2004	12 months to 31 Dec 2004
Basic earnings per share			
Earnings (profit / (loss) after tax)	1.5	(0.6)	4.4
Weighted average shares in issue during the period	23.3	23.7	23.5
Earnings / (loss) per share (cent)	**6.4**	**(2.5)**	**18.7**
Diluted earnings per share			
Earnings (profit / (loss) after tax)	1.5	(0.6)	4.4
Diluted weighted average shares in issue during the period	23.4	23.9	23.6
Earnings / (loss) per share (cent)	**6.4**	**(2.5)**	**18.6**
Adjusted earnings per share - basic			
Earnings (profit / (loss) after tax) before exceptional item	1.5	(0.6)	16.8
Weighted average shares in issue during the period	23.3	23.7	23.5
Earnings / (loss) per share (cent)	**6.4**	**(2.5)**	**71.5**
Adjusted earnings per share-diluted			
Earnings (profit / loss after tax) before exceptional item	1.5	(0.6)	16.8
Diluted weighted average shares in issue during the period	23.4	23.9	23.6
Earnings / (loss) per share (cent)	**6.4**	**(2.5)**	**71.2**

5. Property, plant and equipment

	Assets under construction €m	Ships €m	Property €m	Plant & equipment €m	Vehicles €m	Total €m
Cost or valuation						
At 1 January 2005	4.8	365.9	23.6	55.7	2.4	452.4
Additions	1.3	7.0	-	0.1	0.3	8.7
Disposals		(5.1)		-	(0.4)	(5.5)
Exchange adjustment	(1.5)	16.1	-	0.3	-	14.9
At 30 June 2005	**4.6**	**383.9**	**23.6**	**56.1**	**2.3**	**470.5**
Accumulated depn						
At 1 January 2005	-	113.8	6.5	33.1	1.3	154.7
Charge for period	-	10.8	0.2	1.8	0.2	13.0
Disposals	-	(5.1)			(0.3)	(5.4)
Exchange adjustment	-	5.9	-	0.9	-	6.8
At 30 June 2005	**-**	**125.4**	**6.7**	**35.8**	**1.2**	**169.1**
Net book amounts						
At 1 January 2005	4.8	252.1	17.1	22.6	1.1	297.7
At 30 June 2005	**4.6**	**258.5**	**16.9**	**20.3**	**1.1**	**301.4**

At 30 June 2005 the Group has entered into commitments to the value of €3.7m for the purchase of fixed assets.

6. Provisions

At 31 December 2004 the Group carried a provision of €4.5 million in respect of restructuring payments. This has been used in the 6 months to 30 June 2005. Accordingly at 30 June 2005 the balance on this provision stands at €nil.

7. Net debt

	Cash €m	Overdrafts €m	Loans €m	Leases €m	Total €m
At 31 December 2004					
Current assets	9.2	-	-	-	9.2
Creditors due within one year	-	(0.3)	(21.7)	(4.3)	(26.3)
Creditors due after one year	-	-	(92.3)	(8.5)	(100.8)
	9.2	**(0.3)**	**(114.0)**	**(12.8)**	**(117.9)**
Cash flow	3.1	0.3	1.0	2.2	6.6
Foreign exchange rate changes	(1.2)	-	(3.2)	(0.2)	(4.6)
	11.1	**-**	**(116.2)**	**(10.8)**	**(115.9)**
At 30 June 2005					
Current assets	11.1	-	-	-	11.1
Creditors due within one year	-	-	(22.5)	(4.1)	(26.6)
Creditors due after one year	-	-	(93.7)	(6.7)	(100.4)
	11.1	**-**	**(116.2)**	**(10.8)**	**(115.9)**