



Donegal Creameries plc
Interim Report

for the six months ended 30 June 2003

2003

Financial Highlights

for the six months ended 30 June 2003

	2003 €'000	2002 €'000	Increase %
Turnover	68,794	67,607	1.8%
Operating Profit	2,795	2,667	4.8%
Profit before Tax	4,050	3,473	16.6%
Profit after Tax	3,333	2,820	18.2%
Cash Flow (PBT + Depreciation + Amortisation)	5,392	4,846	11.3%
Earnings Per Share (Basic) - cents	33.1	28.2	17.4%
Net Asset Value per Share (excludes minority) - Euro	3.83	3.44	11.3%

Donegal Creameries is pleased to report a profit before tax of €4.05 million for the six months ended 30 June 2003, an increase of 16.6% on the profit before tax of €3.47 million reported for the six months ended 30 June 2002.

Turnover increased by 1.8% in the six month period ended 30 June 2003 when compared to the same period last year primarily due to increased prices received from the group's sale of manufacturing milk reflecting higher commodity dairy prices during the period.

Operating profits increased 4.8% from €2.67 million in the six months ended 30 June 2002 to €2.80 million in the six months ended 30 June 2003 reflecting primarily an increased contribution to profitability from animal feeds.

Earnings per share increased by 17.4% from €28.2 cents in the six months ended 30 June 2002 to €33.1 cents in the six months ended 30 June 2003.

An interim dividend of €5.25 cents is to be paid, an increase of 5.0% on last years interim dividend of €5.0 cents reflecting the board's continuing confidence in the group. The interim dividend will be paid on 5 December 2003 to shareholders on the register on 7 November 2003.



Operations Review

Dairy

During the six months ended 30 June 2003 turnover in the group's activities in the Dairy Sector increased to €23.89 million from €22.13 million in the six months ended 30 June 2002, an increase of 8.0%. This increase is primarily due to higher commodity dairy prices as outlined above. The contribution to profitability from the dairy division was improved due to these higher prices.

Agricultural and Other Trading

Turnover from the group's activities in the Agricultural and Other Trading sectors amounted to €44.91 million in the six months ended 30 June 2003 compared with €45.48 million in the same period last year, a decrease of 1.3%. This primarily reflects decreased sales prices achieved in Carbury Mushrooms.

Turnover in the group's animal feed mill was in line with last year. The contribution to profitability increased as a result of the benefits of the capacity expansion project coming on stream.

Turnover at the group's agricultural trading stores was up on last year. However, the contribution to profitability was down due to more competitive market conditions for agri inputs.

Turnover and profitability at the group's potato operations at Irish Potato Marketing and Donegal Potatoes were down on last year due to seasonal factors.

The contribution from the rentals of the group's land and facilities at An Grianan was in line with last year.

The group again had a significant contribution to profits from the sale of surplus assets and investments and this also increased during the period.

Oatfield's turnover was in line with last year. However, profitability continues to be affected by competitive pressures in export markets exacerbated by the strengthening of the euro.

Profitability from the group's mushroom operations was down on last year due to continuing price pressure from retail multiples.

Outlook

As before, the group's objective continues to be to remain a strong integrated player in the dairy and agricultural trading sectors. The group is confident of a positive out turn for the second half of the year. The group continues to seek development opportunities, both in its existing businesses and through acquisition and sector consolidation, and to keep a tight control on all costs. The group has commenced construction on its Section 50 student accommodation project and has submitted a planning application for a retail and office development on another part of its Letterkenny landbank.

Lexie Tinney
Chairman

Group Profit and Loss Account

for the six months ended 30 June 2003

	Note	Six months ended 30 June 2003 (unaudited) €'000	Six months ended 30 June 2002 (unaudited) €'000	Year ended 31 December 2002 (audited) €'000
Turnover	2	68,794	67,607	135,337
Less share of joint ventures turnover		(9,896)	(11,208)	(22,495)
Group turnover		58,898	56,399	112,842
Operating profit		2,795	2,667	5,144
Profit on disposal of tangible and financial assets		998	671	754
Share of results of joint venture		113	403	549
Income from financial assets		586	485	800
Profit on ordinary activities before interest		4,492	4,226	7,247
Interest receivable		2	13	29
Interest payable - group		(212)	(483)	(920)
- joint venture		(232)	(283)	(547)
Profit on ordinary activities before taxation		4,050	3,473	5,809
Taxation		(717)	(653)	(921)
Profit on ordinary activities after taxation		3,333	2,820	4,888
Minority interests		(43)	(25)	(198)
Profit for the financial period		3,290	2,795	4,690
Dividends		(524)	(498)	(1,133)
Profits retained in period		2,766	2,297	3,557
Earnings per share (basic)	3	33.1c	28.2c	47.2c



Group Balance Sheet

as at 30 June 2003

	30 June 2003 (unaudited) €'000	30 June 2002 (unaudited) €'000	31 December 2002 (audited) €'000
Fixed Assets			
Tangible assets	20,690	21,857	21,124
Financial assets	10,508	10,644	10,568
Investments in joint venture	(232)	8	(36)
Intangible assets	1,818	1,979	1,918
	<u>32,784</u>	<u>34,488</u>	<u>33,574</u>
Current Assets			
Stocks	9,951	9,638	10,748
Debtors	30,859	29,213	31,588
Cash at bank and in hand	1,840	-	1,555
	<u>42,650</u>	<u>38,851</u>	<u>43,891</u>
Creditors - Amounts falling due within one year	<u>(28,533)</u>	<u>(29,419)</u>	<u>(32,203)</u>
Net current assets	<u>14,117</u>	<u>9,432</u>	<u>11,688</u>
Total assets less current liabilities	46,901	43,920	45,262
Creditors - Amounts falling due after one year	(6,719)	(7,689)	(7,676)
Provisions for liabilities and charges	(599)	(649)	(608)
	<u>39,583</u>	<u>35,582</u>	<u>36,978</u>
Capital and reserves			
Called up share capital	1,304	1,304	1,304
Share premium	2,546	2,546	2,546
Revaluation reserve	312	312	312
Reserve on acquisition	293	293	293
Other reserves	189	189	189
Profit and loss account	33,391	29,544	30,786
Shareholders funds - equity	38,035	34,188	35,430
Minority interest in subsidiaries	1,548	1,394	1,548
	<u>39,583</u>	<u>35,582</u>	<u>36,978</u>
Net assets per share	€3.83	€3.44	€3.57

Group Cash Flow Statement

for the six months ended 30 June 2003

	Six months ended 30 June 2003 (unaudited) €'000	Six months ended 30 June 2002 (unaudited) €'000	Year ended 31 December 2002 (audited) €'000
Operating activities			
Operating profit	2,795	2,667	5,144
Non-cash items	1,332	1,257	3,021
Changes in working capital	(1,386)	978	(2,638)
	<u>2,741</u>	<u>4,902</u>	<u>5,527</u>
Returns on investment and servicing of finance	377	24	(233)
Taxation paid	(578)	(423)	(555)
Capital expenditure and financial investment (net)	47	1,101	693
Acquisitions	(150)	(1,325)	(757)
Equity dividends paid	(200)	(309)	(1,105)
Net cash inflow before financing	<u>2,237</u>	<u>3,970</u>	<u>3,570</u>
Financing	(19)	(10)	(684)
Decrease in net debt	<u>2,218</u>	<u>3,960</u>	<u>2,886</u>



Notes to the Interim Results

for the six months ended 30 June 2003

1. Basis of preparation

The interim results have been prepared by applying the accounting policies described on pages 20 and 21 of the group's audited financial statements for the year ended 31 December 2002.

The results for the six months ended 30 June 2003 and the six months ended 30 June 2002 are unaudited. The results for the year ended 31 December 2002 represent an abbreviated version of the group's full accounts for that period on which the auditors gave an unqualified report.

2. Segmental analysis

	Six months ended 30 June 2003 (unaudited) €'000	Six months ended 30 June 2002 (unaudited) €'000	Year ended 31 December 2002 (audited) €'000
Turnover by class of business			
Group turnover:			
Dairy products	23,888	22,127	43,648
Farm inputs	24,607	23,447	43,147
Potatoes	5,054	5,532	14,173
Confectionery	3,337	3,524	7,694
Sacks	866	844	1,832
Stevedoring	1,146	925	2,348
	58,898	56,399	112,842
Share of turnover of joint venture:			
Mushrooms	9,896	11,208	22,495
Turnover: group and share of joint ventures	68,794	67,607	135,337
Turnover by geographical market of destination			
Group turnover:			
Republic of Ireland	46,492	40,637	80,633
Northern Ireland	9,169	11,664	17,301
Great Britain	1,268	2,273	3,498
Continental Europe	764	952	3,878
Rest of World	1,205	873	7,532
	58,898	56,399	112,842
Share of turnover of joint venture:			
Republic of Ireland	1,914	2,366	5,234
Northern Ireland	272	158	288
Great Britain	7,710	8,684	16,973
	9,896	11,208	22,495
Turnover: group and share of joint venture	68,794	67,607	135,337

3. Earnings per share

	Six months ended 30 June 2003 (unaudited) €'000	Six months ended 30 June 2002 (unaudited) €'000	Year ended 31 December 2002 (audited) €'000
The computation of earnings per share (basic) is set out below:			
Numerator:			
Profit for the financial period (€'000)	3,290	2,795	4,690
Denominator:			
Weighted average number of ordinary shares in issue for the period	10,034,990	10,034,990	10,034,990
Average number of treasury shares	(107,828)	(107,828)	(107,828)
Denominator for earnings per share	9,927,162	9,927,162	9,927,162
Earnings per ordinary share (basic)	33.1 c	28.2 c	47.2 c

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