

# Donegal

**DONEGAL CREAMERIES plc**  
Interim Report for the six months ended 30 June 2006



## FINANCIAL HIGHLIGHTS

for the six months ended 30 June 2006

	Six months ended 30 June 2006 EUR'000	Six months ended 30 June 2005 EUR'000	% Change
Group Turnover	57,398	54,465	5.4%
Operating Profit	1,141	553	106%
Profit before tax	3,049	1,156	164%
Operating Cash Flow	4,626	8,395	(45%)
Earnings per Share	23.3	8.9	162%
Net Asset Value per Share	€5.46	€3.70	48%

Donegal Creameries reports a profit before tax of €3m for the six months ending June 2006, an increase of €1.9m over the same period last year. This consists of an improvement in operating profit from €0.55 million to €1.14m and an improved return in the property development business from €0.6m to €1.9m. These results reflect the stated objectives of the Group of improving operating returns and developing our property business.

Turnover increased by 5% to €57.4m mainly derived from improved sales of agribusiness and added value dairy products.

Management continues to focus on working capital reduction, achieving an improvement of €2.1 million in the current period in addition to the €6.4 million improvement in the comparative period last year. This led to cashflow generated from operations of €4.6 million compared to €8.4 million in the first 6 months of 2005.

Earnings per share improved by 14.4c to 23.3c, an increase of 162%.

An interim dividend of 6.0c is to be paid, an increase of 9% over 2005. The interim dividend will be paid on 1 December 2006 to shareholders on the register on 10 November 2006.



## OPERATIONS REVIEW

### Dairy

Turnover in the Dairy Business was in line with prior year. This reflected sales growth in added value dairy products offset by a reduction in milk trading reflecting the general decline in commodity dairy prices. Newly designed packaging has been introduced on Donegal branded liquid milk with an immediate positive impact on sales. In addition progress continues with the Ennis Foods added value business.

### Agribusiness

Turnover in Agribusiness increased 8% year on year. Good performances were achieved in the seed potato, potato trading and animal feed businesses. Our agri-stores benefited from increased animal feed sales due to the challenging Spring season. While Agriculture in Ireland is in major transition, Donegal Creameries will continue to stay relevant to its customers and will allocate resources to develop niches in areas including seed potatoes and animal feed.

### Property

The Group continues to make good progress in the development of its extensive property portfolio. While no significant gains are forecast for the second half of the year, there are a number of projects planned for the future.

### Outlook

The Group remains committed to its Dairy and Agribusiness heritage and is confident of developing its model further to position it for the changes ahead. As advised previously the Group will enhance shareholder value through development of its property assets. As part of this the Group will be acquiring selective property assets which will either enhance existing assets or create value-adding opportunities going forward. In addition the Group continues to evaluate selective growth opportunities outside of agribusiness and property.

**Geoffrey Vance**

Chairman

# GROUP PROFIT AND LOSS ACCOUNT

for the six months ended 30 June 2006

	Six months ended 30 June 2006 (unaudited) EUR'000	Six months ended 30 June 2005 (unaudited) EUR'000	Year ended 31 December 2005 (audited) EUR'000
<b>Group Turnover</b>	<b>57,398</b>	<b>54,465</b>	<b>111,677</b>
<b>Operating profit</b>	<b>1,141</b>	<b>553</b>	<b>120</b>
Profit on disposal of tangible and financial assets	2,037	347	3,903
Impairment of investment in associate	-	-	(638)
Share of results of associate	72	379	394
Income from financial assets	202	258	1,068
<b>Profit on ordinary activities before interest</b>	<b>3,452</b>	<b>1,537</b>	<b>4,847</b>
Interest receivable	38	29	94
Interest payable			
Group	(378)	(352)	(1,200)
Associate	(63)	(58)	(143)
<b>Profit before tax</b>	<b>3,049</b>	<b>1,156</b>	<b>3,598</b>
Taxation	(607)	(210)	(1,592)
<b>Profit after tax</b>	<b>2,442</b>	<b>946</b>	<b>2,006</b>
Minority interest	(70)	(42)	(152)
<b>Profit for the financial period</b>	<b>2,372</b>	<b>904</b>	<b>1,854</b>
<b>Earnings per share (Basic) - cent</b>	<b>23.3</b>	<b>8.9</b>	<b>18.2</b>
Weighted average shares in issue	10,285,590	10,285,590	10,285,590
Average number of treasury shares	(107,828)	(107,828)	(107,828)
Denominator for EPS (Basic)	10,177,762	10,177,762	10,177,762



## GROUP BALANCE SHEET

as at 30 June 2006

	Six months ended 30 June 2006 (unaudited) EUR'000	Six months ended 30 June 2005 (unaudited) EUR'000 (Restated)	Year ended 31 December 2005 (audited) EUR'000
<b>Fixed assets</b>			
Tangible assets	19,510	21,105	19,898
Financial assets	28,854	15,175	28,331
Investments in associates	3,417	4,102	3,409
Intangible assets - goodwill	2,327	2,212	2,432
	<b>54,108</b>	<b>42,594</b>	<b>54,070</b>
<b>Current assets</b>			
Stocks	9,172	10,518	9,924
Debtors	27,659	27,719	28,456
Cash at bank and in hand	6,483	2,367	2,023
	<b>43,314</b>	<b>40,604</b>	<b>40,403</b>
Creditors - amounts falling due within one year	(22,177)	(31,336)	(21,638)
<b>Net current assets</b>	<b>21,137</b>	<b>9,268</b>	<b>18,765</b>
<b>Total assets less current liabilities</b>	<b>75,245</b>	<b>51,862</b>	<b>72,835</b>
Creditors - amounts falling due after one year	(15,241)	(8,415)	(15,274)
Provisions for liabilities and charges	(3,137)	(4,249)	(3,137)
	<b>56,867</b>	<b>39,198</b>	<b>54,424</b>
<b>Capital and reserves</b>			
Called up share capital	1,337	1,337	1,337
Share premium	2,975	2,975	2,975
Revaluation reserve	13,154	312	13,154
Reserve on acquisition	293	293	293
Other reserves	189	189	189
Profit and loss account	37,579	32,502	35,207
<b>Shareholders funds</b>	<b>55,527</b>	<b>37,608</b>	<b>53,155</b>
Minority interest in subsidiaries	1,340	1,590	1,270
	<b>56,867</b>	<b>39,198</b>	<b>54,425</b>
Net assets per share	€5.46	€3.70	€5.35

## GROUP CASHFLOW STATEMENT

for the six months ended 30 June 2006

	Six months ended 30 June 2006 (unaudited) EUR'000	Six months ended 30 June 2005 (unaudited) EUR'000	Year ended 31 December 2005 (audited) EUR'000
<b>Operating Activities</b>			
Operating profit	1,141	553	120
Non cash items	1,374	1,449	3,103
Changes in Working Capital	2,111	6,393	4,512
	<b>4,626</b>	<b>8,395</b>	<b>7,735</b>
Returns on investment and servicing of finance	(201)	(125)	(159)
Sale of tangible assets and financial assets	2,164	347	4,133
Taxation paid	(592)	14	(467)
Capital Expenditure and Financial investment	(1,539)	(757)	(2,083)
Acquisitions	-	(715)	(1,077)
Equity dividend paid	-	(103)	(1,315)
<b>Net cash inflow before financing</b>	<b>4,458</b>	<b>7,056</b>	<b>6,767</b>
Financing	-	5	(53)
<b>Decrease in Net Debt</b>	<b>4,458</b>	<b>7,061</b>	<b>6,714</b>



## NOTES TO THE INTERIM RESULTS

for the six months ended 30 June 2006

### 1. Basis of preparation

The interim results have been prepared by applying the accounting policies described on pages 23 to 26 of the Group's audited financial statements for the year ended 31 December 2005.

The results for the six months ended 30 June 2006 and the six months ended 30 June 2005 are unaudited. The results for the year ended 31 December 2005 represent an abbreviated version of the Group's full accounts for that period on which the Auditor's gave an unqualified report.

### 2. Segmental analysis

	Six months ended 30 June 2006 (unaudited) EUR'000	Six months ended 30 June 2005 (unaudited) EUR'000	Year ended 31 December 2005 (audited) EUR'000
<b>Turnover by Class of Business</b>			
Dairy Products	23,714	23,919	47,568
Agribusiness	28,095	25,437	52,907
Miscellaneous	5,589	5,109	11,202
<b>Total Turnover</b>	<b>57,398</b>	<b>54,465</b>	<b>111,677</b>
<b>Geographical destination of turnover</b>			
Republic of Ireland	44,029	42,298	77,106
Northern Ireland	9,313	8,482	18,345
Great Britain	2,065	2,047	3,511
Continental Europe	1,258	1,075	3,081
Rest of World	733	563	9,634
<b>Total Turnover</b>	<b>57,398</b>	<b>54,465</b>	<b>111,677</b>

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