



2004

Donegal Creameries plc Interim Report

for the six months ended 30 June 2004

Financial Highlights

for the six months ended 30 June 2004

	2004 €'000	2003 €'000	Increase /(Decrease)%
Turnover	65,195	68,794	-5.2%
Operating Profit	1,900	2,795	-32.0%
Profit before Tax	3,617	4,050	-10.7%
Profit after Tax	2,911	3,333	-12.7%
Cash Flow (PBT + Depreciation + Amortisation)	4,830	5,392	-10.4%
Earnings Per Share (Basic) - cents	28.7	33.1	-13.3%
Net Asset Value per Share (excludes minority) - Euro	4.17	3.83	8.9%

Donegal Creameries reports a profit before tax of €3.62 million for the six months ended 30 June 2004, a decrease of 10.7% on the profit before tax of €4.05 million reported for the six months ended 30 June 2003.

Turnover decreased by 5.2% in the six month period ended 30 June 2004 when compared to the same period last year, primarily due to lower sales in the Agricultural and Other Trading sector.

Operating profit decreased 32.0% from €2.80 million in the six months ended 30 June 2003 to €1.90 million in the six months ended 30 June 2004 reflecting primarily difficult trading conditions in the Dairy sector.

Earnings per share decreased by 13.3% from €33.1 cents in the six months ended 30 June 2003 to €28.7 cents in the six months ended 30 June 2004.

An interim dividend of €5.5 cents is to be paid, an increase of 4.8% on last year's interim dividend of €5.25 cents, reflecting the board's continuing confidence in the company. The interim dividend will be paid on 6 December 2004 to shareholders on the register on 5 November 2004.



Operations Review

Dairy

During the six months ended 30 June 2004, turnover in the group's activities in the Dairy sector decreased slightly to €23.61 million from €23.89 million in the six months ended 30 June 2003. Profitability was down due to difficult trading conditions, principally the cost of sourcing milk in Northern Ireland.

Agricultural and Other Trading

Turnover from the group's activities in the Agricultural and Other Trading sectors amounted to €41.58 million in the six months ended 30 June 2004 compared with €44.91 million in the same period last year, a decrease of 7.4%. This reflects primarily decreased agri input sales and also reduced sales reported for the group's mushroom operations. As of 1 June 2004 the group's mushroom activities are reported as an associate, following the merger with Monaghan and Middlebrook Mushrooms.

Turnover and profitability in the group's animal feed mill and agri trading stores was down on last year due to general uncertainty in the agri sector, an over quota situation in dairying and general competitive pressures.

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

The contribution from the rental 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 down on last year particularly on export markets. Profitability was in line with last year.

Profitability from the group's mushroom operations was up on last year. This was due to reduced costs due to closer working arrangements with Monaghan Mushrooms, culminating in the formal merger in early June.

Turnover and profitability at the group's stevedoring operations was in line with last year.

Outlook

As before, the group's objective continues to be to remain a strong integrated player in the dairy and agricultural and other trading sectors. While trading conditions in some of the group's businesses remain difficult the directors remain confident of a positive outcome for the second half of the year. The group continues to seek development opportunities both in its existing businesses and through acquisition and to keep a tight control on all costs. The group's section 50 student accommodation project is now completed and will be held and rented out. The group continues to pursue development opportunities on the rest of its Letterkenny land bank.

Lexie Tinney
Chairman

Group Profit and Loss Account

for the six months ended 30 June 2004

	Six months ended 30 June 2004 (unaudited) €'000	Six months ended 30 June 2003 (unaudited) €'000	Year ended 31 December 2003 (audited) €'000
Turnover: group and share of joint ventures	65,195	68,794	134,719
Less share of joint ventures	(8,531)	(9,896)	(20,799)
Group turnover	56,664	58,898	113,920
Operating profit	1,900	2,795	5,093
Profit on disposal of tangible and financial assets	1,331	998	1,141
Share of results of associate and of joint venture undertakings	383	113	(446)
Income from financial assets	239	586	932
Profit on ordinary activities before interest	3,853	4,492	6,720
Interest receivable	28	2	4
Interest payable	(229)	(212)	(453)
- group			
- joint venture	(35)	(232)	(346)
Profit before taxation	3,617	4,050	5,925
Taxation	(706)	(717)	(844)
Profit after taxation	2,911	3,333	5,081
Minority interests	(41)	(43)	(169)
Profit for the financial period	2,870	3,290	4,912
Dividends	(557)	(524)	(1,202)
Retained profit for the period	2,313	2,766	3,710
Earnings per share	28.7c	33.1c	49.3c



Group Balance Sheet

as at 30 June 2004

	30 June 2004 (unaudited) €'000	30 June 2003 (unaudited) €'000	31 December 2003 (audited) €'000
Fixed Assets			
Tangible assets	20,794	20,690	20,545
Financial assets	9,503	10,507	10,507
Investments in joint venture	-	(232)	(975)
Intangible assets - goodwill	2,098	1,818	1,755
	<u>32,395</u>	<u>32,783</u>	<u>31,832</u>
Current Assets			
Stocks	10,527	9,951	10,275
Debtors	31,799	30,847	30,407
Cash at bank and in hand	2,547	1,840	1,898
	<u>44,873</u>	<u>42,638</u>	<u>42,580</u>
Creditors - Amounts falling due within one year	<u>(25,684)</u>	<u>(28,521)</u>	<u>(25,667)</u>
Net current assets	<u>19,189</u>	<u>14,117</u>	<u>16,913</u>
Total assets less current liabilities	<u>51,584</u>	<u>46,900</u>	<u>48,745</u>
Creditors - Amounts falling due after one year	<u>(7,650)</u>	<u>(6,719)</u>	<u>(7,667)</u>
Provisions for liabilities and charges	(604)	(599)	(584)
	<u>43,330</u>	<u>39,582</u>	<u>40,494</u>
Capital and reserves			
Called up share capital	1,332	1,304	1,312
Share premium	2,892	2,546	2,597
Revaluation reserve	312	312	312
Reserve on acquisition	293	293	293
Other reserves	189	189	189
Profit and loss account	36,595	33,390	34,134
Shareholders funds - equity	<u>41,613</u>	<u>38,034</u>	<u>38,837</u>
Minority interest in subsidiaries	1,717	1,548	1,657
	<u>43,330</u>	<u>39,582</u>	<u>40,494</u>
Net assets per share	4.17	3.83	3.91

Group Cash Flow Statement

for the six months ended 30 June 2004

	Six months ended 30 June 2004 (unaudited) €'000	Six months ended 30 June 2003 (unaudited) €'000	Year ended 31 December 2003 (audited) €'000
Operating activities			
Operating profit	1,900	2,795	5,094
Non-cash items	1,371	1,332	2,481
Changes in working capital	2,278	(1,386)	(1,077)
	5,549	2,741	6,498
Returns on investment and servicing of finance	38	377	(250)
Taxation paid	(720)	(578)	(1,152)
Capital expenditure and financial investment (net)	(1,182)	47	(918)
Acquisitions	(1,807)	(150)	(115)
Equity dividends paid	(214)	(200)	(1,158)
Net cash inflow before financing	1,664	2,237	2,905
Financing	(14)	(19)	45
Decrease in net debt	1,650	2,218	2,950



Notes to the Interim Results

for the six months ended 30 June 2004

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 2003.

The results for the six months ended 30 June 2004 and the six months ended 30 June 2003 are unaudited. The results for the year ended 31 December 2003 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 2004 (unaudited) €'000	Six months ended 30 June 2003 (unaudited) €'000	Year ended 31 December 2003 (audited) €'000
Turnover by class of business			
Group turnover:			
Dairy products	23,614	23,888	47,915
Farm inputs	23,492	24,607	40,380
Potatoes	4,536	5,054	13,969
Confectionery	2,942	3,337	7,128
Sacks	850	866	2,009
Stevedoring	1,230	1,146	2,519
	<u>56,664</u>	<u>58,898</u>	<u>113,920</u>
Share of turnover of joint venture:			
Mushrooms (2004 - 5 months)	8,531	9,896	20,799
Turnover: group and share of joint ventures	<u>65,195</u>	<u>68,794</u>	<u>134,719</u>
Turnover by geographical market of destination			
Group turnover:			
Republic of Ireland	43,107	46,492	83,552
Northern Ireland	10,404	9,169	17,358
Great Britain	1,500	1,268	2,146
Continental Europe	873	764	3,122
Rest of World	780	1,205	7,742
	<u>56,664</u>	<u>58,898</u>	<u>113,920</u>
Share of turnover of joint venture:			
Republic of Ireland	2,473	1,914	5,297
Northern Ireland	-	272	890
Great Britain	6,058	7,710	14,612
	<u>8,531</u>	<u>9,886</u>	<u>20,799</u>
Turnover: group and share of joint venture	<u>65,195</u>	<u>68,794</u>	<u>134,719</u>

3. Earnings per share

	Six months ended 30 June 2004 (unaudited) €'000	Six months ended 30 June 2003 (unaudited) €'000	Year ended 31 December 2003 (audited) €'000
The computation of earnings per share (basic) is set out below:			
Numerator:			
Profit for the financial period (€'000)	2,870	3,290	4,912
Denominator:			
Weighted average number of ordinary shares in issue for the period	10,094,990	10,034,990	10,065,237
Average number of treasury shares	(107,828)	(107,828)	(107,828)
Denominator for earnings per share	<u>9,987,162</u>	<u>9,927,162</u>	<u>9,957,409</u>
Earnings per ordinary share (basic)	28.7 c	33.1 c	49.3 c

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