

Donegal 

DONEGAL CREAMERIES PLC

2005

INTERIM REPORT

for the six months ended 30 June 2005

Financial Highlights

for the six months ended 30 June 2005

	Six months ended 2005 EUR'000	Six months ended 2004 EUR'000	Increase/ Decrease %
Turnover	54,465	65,195	(16.5%)
Operating Profit	553	1,900	(70.9%)
Profit before Tax	1,156	3,617	(68.0%)
Profit after Tax	946	2,911	(67.5%)
Cash Flow (PBT + Depreciation + Amortisation)	2,561	4,830	(47.0%)
Earnings Per Share (Basic) - Cents	8.9	28.7	(69.1%)
Net Asset Value per Share (excludes minority)	€3.92	€4.17	(6.0%)

Donegal Creameries reports a profit before tax of €1.16 million for the six months ended 30 June 2005, a decrease of 68.0% on the profit before tax of €3.62 million reported for the six months ended 30 June 2004.

Turnover decreased by 16.5% in the period. This was mainly in the Agricultural and Other Trading sector amounting to €11.0 million. €8.5 million of this was as a result of the turnover from its mushroom operations no longer being included in turnover as this is now treated as an associate following the merger of Carbury and Monaghan Mushrooms in June 2004. The balance was mainly on farm inputs.

Operating profit decreased by 70.9% reflecting difficult trading conditions in both the Dairy and Agricultural and Other Trading Sectors.

Earnings per share decreased by 69.1% to 8.9 cents.

An interim dividend of 5.5 cents is to be paid. This is the same level as last year reflecting the board's continuing confidence in the company. The interim dividend will be paid on 5 December 2005 to shareholders on the register on 4 November 2005.



Operations Review

Dairy

During the six months ended 30 June 2005 turnover in the Group's activities in the Dairy sector increased slightly to €23.9 million from €23.6 million in the six months ended 30 June 2004. This was an increase of 1.3% mainly due to two small acquisitions during the period, Milburn Dairies, a liquid milk producer and supplier and Ennis Foods, which produces and supplies milk based breakfast products for the UK market, both based in Co. Donegal. Profitability was down due to lower sales volumes on liquid milk as a result of lower contract packed orders from Northern Ireland.

Agricultural and Other Trading

Turnover from the Group's activities in the Agricultural and Other Trading sectors amounted to €30.5 million in the six months ended 30 June 2005 compared to €41.6 million in 2004, a decrease of 26.5% mainly due to the differing method of accounting for the turnover in the Group's mushroom operations as detailed above.

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 and ongoing competitive pressures.

Profitability from the Group's stevedoring operations was up on last year mainly due to strict cost control and also increased tonnages on higher margin lines.

Turnover in Oatfield was at the same level as last year. Profitability was up due to increased sales in higher margin lines.

Turnover from the Group's potato operations was down on last year. These businesses normally show a loss in the first half and this loss was down on last year.

Profitability from the Group's mushroom operations was in line with last year and the merger of Carbury and Monaghan Mushrooms continues to go well.

Profitability from the sale of property assets and investments was down on last year partly due to timing but also due to differing procedures in the planning process.

The Group's student accommodation had its first full year of operation during the academic year ending May 2005. While not contributing to profitability in the first half, valuable experience in the operation of the campus has been gained and the key task is now to maximise occupancy and utilisation levels.

Outlook

Trading conditions remain difficult in many of the Group's businesses but the board remains confident of the future and the key objective continues to be to remain as a strong integrated player in the dairy and agricultural and other trading sectors. The Group continues to seek development opportunities both in its existing businesses and through acquisition and cost control remains paramount. The Group also continues to look at ways to maximise the value and benefits of its property assets.

Lexie Tinney

Chairman

Group Profit and Loss Account

for the six months ended 30 June 2005

	Six months ended 30 June 2005 (unaudited) EUR'000	Six months ended 30 June 2004 (unaudited) EUR'000	Year ended 31 December 2004 (audited) EUR'000
Turnover: group and share of joint ventures	54,465	65,195	118,328
Less: share of joint ventures	-	(8,531)	(6,868)
Group turnover	54,465	56,664	111,460
Operating profit	553	1,900	643
Profit on disposal of tangible and financial assets	347	1,331	341
Share of results of joint venture undertakings	-	383	442
Share of results of associate	379	-	564
Income from financial assets	258	239	553
Profit on ordinary activities before interest	1,537	3,853	2,543
Interest receivable	29	28	69
Interest payable	(352)	(229)	(465)
- group	-	(35)	(35)
- joint venture	-	-	-
- associate	(58)	-	(107)
Profit before tax	1,156	3,617	2,005
Taxation	(210)	(706)	(285)
Profit after taxation	946	2,911	1,720
Minority interests	(42)	(41)	(165)
Profit for the financial period	904	2,870	1,555
Dividends	(560)	(557)	(1,228)
Retained profit for the period	344	2,313	327
Earnings per share (Basic)-Cent	8.9	28.7	15.4
Weighted average shares in issue	10,285,590	10,094,990	10,187,657
Average number of treasury shares	(107,828)	(107,828)	(107,828)
Denominator for EPS (Basic)	10,177,762	9,987,162	10,079,829



Group Balance Sheet

as at 30 June 2005

	Six months ended 30 June 2005 (unaudited) EUR'000	Six months ended 30 June 2004 (unaudited) EUR'000	Year ended 31 December 2004 (audited) EUR'000
Fixed Assets			
Tangible assets	21,105	20,794	20,432
Financial assets	15,175	9,503	15,181
Investments in joint ventures/associates	4,102	-	3,803
Intangible assets - goodwill	2,212	2,098	1,648
	42,594	32,395	41,064
Current Assets			
Stocks	10,518	10,527	10,409
Debtors	27,719	31,799	30,817
Cash at bank and in hand	2,367	2,547	1,264
	40,604	44,873	42,490
Creditors - Amounts falling due within one year	(31,336)	(25,684)	(32,657)
Net current assets	9,268	19,189	9,833
Total assets less current liabilities	51,862	51,584	50,897
Creditors - Amounts falling due after one year	(8,415)	(7,650)	(7,918)
Provisions for liabilities and charges	(1,684)	(604)	(1,686)
	41,763	43,330	41,293
Capital and reserves			
Called up share capital	1,337	1,332	1,337
Share premium	2,975	2,892	2,954
Revaluation reserve	312	312	312
Reserve on acquisition	293	293	293
Other reserves	189	189	189
Profit and loss account	34,770	36,595	34,386
Shareholders funds - equity	39,876	41,613	39,471
Minority interest in subsidiaries	1,887	1,717	1,822
	41,763	43,330	41,293
Net assets per share	€3.92	€4.17	€3.92

Group Cashflow Statement

for the six months ended 30 June 2005

	Six months ended 30 June 2005 (unaudited) EUR'000	Six months ended 30 June 2004 (unaudited) EUR'000	Year ended 31 December 2004 (audited) EUR'000
Operating Activities			
Operating Profit	553	1,900	643
Non Cash Items	1,449	1,371	2,433
Changes in Working Capital	6,393	2,278	(2,493)
	8,395	5,549	583
Returns on investment and servicing of finance	(125)	38	229
Taxation Paid	14	(720)	(637)
Capital Expenditure and financial investment (net)	(410)	(1,182)	(8,013)
Acquisitions	(715)	(1,807)	(3,342)
Equity Dividends Paid	(103)	(214)	(1,362)
	7,056	1,664	(12,542)
Net cash inflow/(outflow) before financing	7,056	1,664	(12,542)
Financing	5	(14)	676
	7,061	1,650	(11,866)
Decrease/(Increase) in Net Debt	7,061	1,650	(11,866)



Notes to the Interim Results

for the six months ended 30 June 2005

1. Basis of preparation

The interim results have been prepared by applying the accounting policies described on pages 24 to 26 of the group's audited financial statements for the year ended 31 December 2004.

The results for the six months ended 30 June 2005 and the six months ended 30 June 2004 are unaudited. The results for the year ended 31 December 2004 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 2005 (unaudited) EUR'000	Six months ended 30 June 2004 (unaudited) EUR'000	Year ended 31 December 2004 (audited) EUR'000
Turnover by Class of Business			
Dairy Products	23,919	23,614	46,480
Farm Inputs	21,486	23,492	39,478
Confectionery	3,034	2,942	6,496
Potatoes	3,951	4,536	13,284
Sacks	1,000	850	2,129
Stevedoring	1,075	1,230	3,593
Turnover (excl share of joint venture)	54,465	56,664	111,460
Share of joint venture	-	8,531	6,868
Turnover including share of joint venture	54,465	65,195	118,328
Geographical destination of turnover			
Republic of Ireland	42,298	43,107	78,686
Northern Ireland	8,482	10,404	20,183
Great Britain	2,047	1,500	2,209
Continental Europe	1,075	873	2,958
Rest of World	563	780	7,424
Turnover (excl share of joint venture)	54,465	56,664	111,460
Share of joint venture's turnover			
Republic of Ireland	-	2,473	1,887
Northern Ireland	-	-	-
Great Britain	-	6,058	4,981
Total	-	8,531	6,868
Turnover including share of joint venture	54,465	65,195	118,328

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