DAA

Annual Report 2011
Údarás Aerfort Bhaile Átha Cliath cpt
Dublin Airport Authority plc

daa

2011

Dublin Airport Authority plc

Annual Report and Financial Statements


Ardaitheoirí
Lifts

Contents

Board of Directors
Dublin Airport Authority plc

Pádraig Ó Ríordáin, Chairman

Pádraig Ó Ríordáin was appointed Chairman in January 2012. Pádraig is a Corporate Partner in Arthur Cox, a leading Irish law firm, where he served as Managing Partner from 2003 to 2011. In 2009, he was named European Managing Partner of the Year and in 2012 was awarded the Lifetime Achievement Award by the Managing Partners' Forum. He studied law in the National University of Ireland and Harvard Law School and has practised in New York and Dublin. He is a non-executive director of Paddy Power and of TVC Holdings. Pádraig sits on the Insolvency Law Advisory Group to the European Commission.

Declan Collier

Declan Collier joined the Dublin Airport Authority as Chief Executive in April 2005. Prior to his appointment, Declan worked all his professional career with ExxonMobil, where he held various senior management positions in Ireland and the UK, including from 2000 to 2002 as Chairman and lead Country Manager, Esso Ireland. He is President of Airports Council International – Europe.

Gerard Collins

Gerard Collins was appointed to the Board in November 2009 and is a member of the Board Audit Committee, appointed in January 2010, re-appointed in February 2012. He is also a member of the Board Health, Safety, Security and Customer Service Committee, appointed in January 2010. Gerard is a former senior Irish government Minister. During his career he served as Minister for Communications, Minister for Justice and Minister for Foreign Affairs. Gerard is also a former President of the EU Council of Ministers, former Vice President of the European Parliament, a member of the Transport Committee and former Co-Chairman Anglo Irish Conference.

Thomas Guilfoyle

Thomas Guilfoyle was appointed to the Board in October 2009 under the Worker Participation (State Enterprise) Acts, 1977 to 2001. Since January 2010, Thomas has been a member of the Board Health, Safety, Security and Customer Service Committee. A qualified electrician, Thomas joined the company in 2001 and works in the Maintenance Department in Shannon Airport. Thomas was the TEEU shop steward in Shannon Airport for four years and is currently Chairman of the Airports Group of Unions and a member of the ICTU Worker Directors Group. He is an elected officer of the TEEU's National Executive Council, Executive Management Committee and the TEEU Limerick No1. Branch Secretary.

Michael Lenane

Michael Lenane was appointed to the Board in October 2009 under the Worker Participation (State Enterprise) Acts, 1977 to 2001. Since January 2010, Michael has been a member of the Board Airport Development Committee. Michael holds a BSc (Hons) in Business and Information Technology from Trinity College and is a Chartered Member of the Institute of Logistics and Transport (CMILT). Michael joined the company in 1980 and now is the Airside Safety and Compliance Manager for DAA. Michael is a member of the IMPACT Union.

John Lynch

John Lynch was appointed to the Board in February 2012. He heads the European and African marketing operations at aircraft leasing company BBAM and is Managing Director at its Zurich office. He was part of the management team at BBAM which successfully completed an MBO of Babcock & Brown's aircraft leasing business in 2010. Before joining BBAM, he spent 12 years in various senior executive positions at Babcock & Brown. A graduate of Trinity College Dublin, he holds an MBA from University College Dublin.

Mary McCabe

Mary McCabe was originally appointed to the Board in December 2008 and re-appointed in October 2009 under the Workers Participation (State Enterprises) Acts, 1977 to 2001. Since January 2010, Mary has been a member of the Board Health, Safety, Security and Customer Service Committee. Mary joined the company in 1998 and works in the Cleaning Department. She is a Divisional Committee member and a Union Learner Representative of the Utilities and Construction Section of SIPTU and for over 12 years has represented the Cleaning Department at local and branch level.

Colm McCarthy

Colm McCarthy was appointed to the Board in February 2012 and is a member of the Board Audit Committee. He is a lecturer in economics at University College Dublin. He previously worked at the Central Bank, the Economic and Social Research Institute (ESRI) and with DKM Economic Consultants. He chaired the Irish government's Review Group on State Assets and Liabilities and the Special Group on Public Service Numbers and Expenditure Programmes. He is a graduate of University College Dublin and the University of Essex.

Barry Nevin

Barry Nevin was originally appointed to the Board in March 2005 and re-appointed in October 2009 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. Since January 2010, Barry has been a member of the Board Health, Safety, Security and Customer Service Committee. Barry joined the company in 1990 and works in the Airport Police/Fire Service. He is a member of the Irish Congress of Trade Unions Worker Directors Group and the Dublin Airport Authority Group of Unions. Barry holds a BA in Legal Studies.

Gerry Walsh

Gerry Walsh was originally appointed to the Board in November 2009 and re-appointed in February 2012. He is a member of the Board Audit Committee, originally appointed in January 2010 and re-appointed in February 2012. Gerry is a partner in Praesta, a leading Executive Coaching practice. As an independent business advisor he also provides strategic support to the boards and senior management teams of a number of Irish and international companies. As chief executive of Bord Gais from 2000 to 2007 he led the transition of the company to an all-Ireland energy company providing both gas and electricity to customers throughout the island of Ireland. Gerry was Chairman of Cork Airport Authority from 2009 to the end of 2011.

The numbers of passengers using DAA airports stabilised in 2011 and showed their first signs of growth since 2007, notably in the key segment of incoming visitors to Ireland.

Chairman's Statement

Pádraig Ó Ríordáin

Dublin Airport Authority (DAA) had a resilient financial performance in 2011, particularly when viewed in the context of the wider economic climate in Ireland and internationally, which is the main driver of air traffic.

Turnover was flat at €557 million, while the Group grew its earnings before interest, tax, depreciation, amortisation and exceptional items (EBITDA) by 9% to €160 million. This improvement in EBITDA was driven by continued reduction in costs and improved aeronautical revenues. Group profit for the financial year declined by 9% to €30 million.

Group costs have been reduced to 2005 levels, which represents an overall reduction in costs of 11% since 2008. Airport operating costs are now at 2007 levels, despite the Group now operating two terminals at Dublin Airport rather than one and providing a transformed travel experience for customers at our three Irish airports.

The numbers of passengers using DAA airports stabilised in 2011 and showed their first signs of growth since 2007, notably in the key segment of incoming visitors to Ireland. This brought a welcome increase in tourist and business travellers to the State last year, which offset the continued fall in domestic air travel within the Irish Republic.

In total, 22.7 million people used Dublin, Cork and Shannon airports during 2011, a marginal increase on the previous year. Dublin Airport had the strongest performance and saw its passenger traffic increase by 2% to 18.7 million passengers last year, with more than 30 airlines growing their business at Dublin. Cork's traffic declined by 3% to 2.4 million passengers while Shannon's traffic declined by 7% to 1.6 million.

The transfer of airline operations to Terminal 2 (T2) at Dublin Airport was completed seamlessly in the first quarter of the year under review and the new terminal had a successful first year of operation. T2, which has so far won 11 awards, handled almost eight million passengers last year. It is expected to process about 8.5 million passengers this year, giving the new terminal approximately the same throughput as Birmingham Airport.

T2 is already helping to win new long-haul business. US Airways launched a new service to Charlotte, North Carolina in May, Emirates Airline announced a new service to Dubai last September, and United unveiled a new Washington DC route in November.

The advent of T2, coupled with new developments in Terminal 1, has delivered a significant improvement in service levels at Dublin Airport in recent years.

In the most recent study of Airport Service Quality measures conducted by Airports Council International (ACI), Dublin was in joint third position out of 29 European airports handling between five million and 25 million passengers per year. In the same study five years ago, Dublin was at the bottom of the table of European airports. These independent quarterly surveys are based on face-to-face interviews with thousands of customers at each airport and provide an accurate and objective indicator of the airport's performance in the eyes of its customers.

Commercial Mandate

DAA is a fully commercial business that receives no funding or financial support from the State. The Company's airports are funded through a combination of airport charges and the revenue that the company generates from its own retail activity, retail concessions operated by third parties, property rentals, car parking and other commercial income.

DAA has a statutory mandate to manage, operate and develop its Irish airports, and the Group's vision is to deliver a quality airport travel experience to the best international standards. We do this while managing our airport business profitably and sustainably, serving our customers needs and creating the appropriate airport infrastructure required for the current and future needs of the Irish economy.

We make our decisions in the best long-term interests of the shareholder, the Irish economy and the travelling public. The Group's business strategy for the current period has clear goals, which are aligned with the company's mandate from our shareholder. DAA is focused on increasing passenger numbers in our airports and trading its way out of the current economic challenges; we aim to sustain our financial stability by maintaining the financial strength required to maintain investment grade rating to support future access to debt capital; and we intend to continue to develop our airports to make a strong and lasting contribution to Irish economic development.

While economic conditions are the core driver of air travel, DAA remains focused on providing the airport facilities and incentives required to attract new passengers, routes and airlines. We offer airlines a range of incentive schemes to stimulate traffic growth. These incentive schemes, which provide discounts on our already competitive airport charges, are designed to encourage airlines to open new routes and support overall traffic growth.

Economic Impact

Connectivity is essential in the international marketplace. This is particularly the case for Ireland, which is the tenth most globalised economy in the world, according to the 2011 global rankings from the KOF Swiss Economic Institute.

Air access is therefore essential to Ireland's future economic wellbeing. Dublin, Cork and Shannon airports are important elements of national infrastructure and a vital facilitator for economic development. Foreign direct investment remains a key driver of the Irish economy and the immediate proximity of a well-connected airport continues to be one of the main criteria when a multinational company decides on location.

The airport facilities that DAA operates are an integral element of Ireland's economic infrastructure. The improvement in quality and additional capacity that has now been delivered, particularly with the opening of T2, has positioned the airports well to support future Irish growth. The historic overcrowding at Dublin Airport, for example, was viewed by key agencies as a potential impediment to international investment in Ireland as recently as 2007. Now, the new and improved infrastructure and a radically improved passenger experience have become enablers for additional investment in the State.

Our status as an island nation further underscores the importance of our airports. Last year DAA's three airports handled 96% of all international air traffic in the Republic of Ireland and 74% of the air traffic into and out of the island of Ireland. Despite the recent economic downturn, Irish people continue to travel by air significantly more often than our near neighbours. Irish residents take flights twice as often as their counterparts in the UK and four times as often as residents of continental Europe.

Aside from their macroeconomic role, the Group's airports also provide significant direct and indirect employment. The 22.7 million passengers that used Dublin, Cork and Shannon airports last year directly supported an estimated 22,000 Irish jobs at our three Irish airports. This level of traffic also indirectly supported an additional 46,000 jobs in the Irish economy, bringing the total number of jobs sustained to an estimated 68,000.

Funding

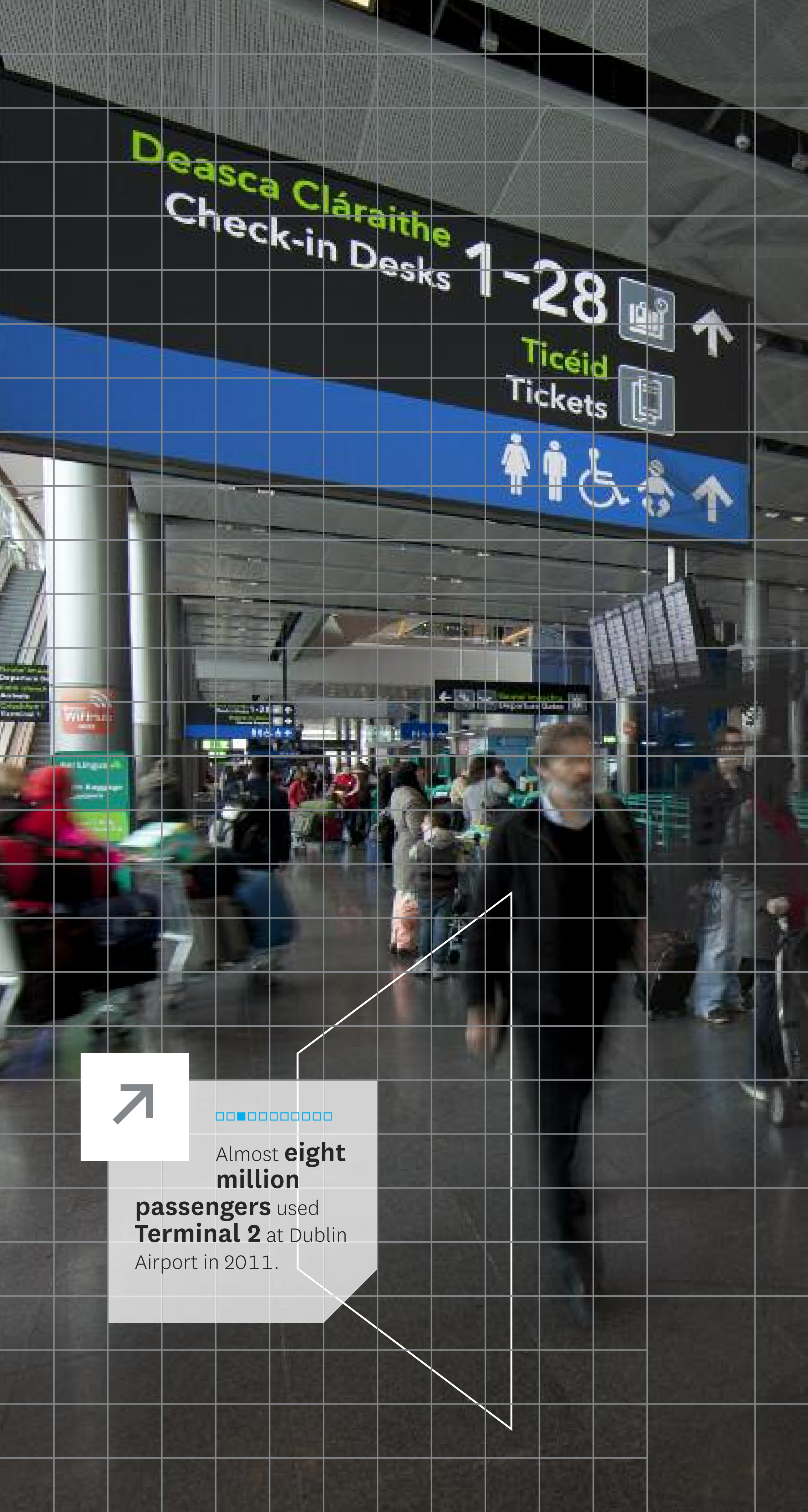
Over the past six years, the Group has invested €1.6 billion at its three Irish airports. That investment was made without any financial support from the Exchequer and funded from the company's own resources and borrowings. About €1.2 billion of the investment programme was funded by a combination of profits from the sale of assets such as the Great Southern Hotel group, and stakes in Birmingham and Hamburg airports, and cash generated by the business. DAA borrowed an additional €400 million to fund the capital programme.

The Group's debt level is typical of a large infrastructure provider at the conclusion of such a major investment programme. Net debt was €735 million at year-end, a 4% reduction on the previous 12 months. On current expectations, the facilities DAA has in place will secure the Group's funding position until 2018.

We plan to reduce that debt position over the next five years and this will be a key task in the period ahead. The Group will also continue to focus on cost reduction over the medium term, notwithstanding the huge achievements that it has made in this area in recent years.

More than **1,500 scheduled bus services** arrive and depart Dublin Airport every day.

There are **15,524 spaces** in the **long-term car parks** at Dublin Airport.



Almost **eight million passengers** used **Terminal 2** at Dublin Airport in 2011.

International Business

DAA employs about 2,500 staff at home, while the overseas businesses of Aer Rianta International (ARI) employ a further 3,500 people in 12 countries across three continents. ARI is one of the world's leading airport retailers generating more than €1 billion in managed sales annually.

Profits from ARI are reinvested at home and in expanding ARI's own retail business, which is continuing to move into new markets. ARI's outlet at Delhi Airport in India celebrated its first year in business in July and is trading ahead of expectations. Last August, ARI won a contract to operate its first stores in China and later this year it will open 11 duty paid outlets at the new Kunming Changshui International Airport in Yunnan province. The company sees further potential in both markets over the medium term.

Shannon and Cork Airports

Post year-end, the Minister for Transport, Tourism and Sport, Leo Varadkar TD, published a report on the future ownership options for Cork and Shannon airports. The Minister has indicated that he intends to bring proposals in relation to the future of Cork and Shannon airports later this year. As Chairman of DAA, I will work closely with the Minister and his officials, and the Board of the Company, to ensure that whatever policy is adopted can be achieved in an efficient manner that is optimal for the viability of the DAA, any separated assets and the assets that remain within its control.

Acknowledgements

On behalf of the Board, and the Company, I would firstly like to thank the Group's outgoing Chief Executive Declan Collier, who has decided to leave the business. Declan has been a remarkable Chief Executive and has transformed the DAA during his seven years at the helm of the Company. We wish him every continued success in his new role at London City Airport.

I also offer the Company's most sincere thanks to my predecessor, David Dilger, for his unrelenting dedication to the Company and his leadership of the Board during his period as Chairman. In addition to David, five non-executive directors of the Group retired during the year – Peter Barrett, Bill Cullen, Sir Michael Hodgkinson, Brian O'Connell and Marie O'Connor. On behalf of the Board and the Company, I would like to thank each of them for their energy and insight during many years of service to DAA.

I would also like to offer my deep appreciation to the staff and management of the Group, whose hard work, dedication and willingness to address our cost base achieved so much during the year under review.

On behalf of myself and my colleagues on the Board, I would also like to thank the Minister for Transport, Tourism and Sport, Leo Varadkar TD, Tom O'Mahony, the Secretary General of the Department, and all the officials at the Department for their guidance and support.

I would also like to thank our shareholder, the Minister for Public Expenditure & Reform, Brendan Howlin TD, Secretary General, Robert Watt, and the officials in the Department for their support and assistance to the Group.

Finally, I would like to thank DAA's millions of customers in 2011. We greatly appreciate their business and will continue to strive to serve them even better in the months and years ahead.

Pádraig Ó Ríordáin, Chairman
23 March 2012

Continental European traffic,which is the largest sector of the market, increased by 3% to 9.8 million passengers at Dublin Airport during the year.

Chief Executive's Review

Declan Collier

Given the continued weak economic performance in Ireland and our main trading partners, the Group produced a satisfactory performance during 2011.

The Irish economy grew by 0.7% during the year, however that growth is being fuelled by exports, as domestic economic demand is soft and unemployment remains high. The ongoing austerity measures in the Irish economy continue to dampen Irish consumer sentiment, which remains weak.

The Irish economy is also being affected by the Euro crisis and the economic performance of the UK, which is our closest neighbour and a key trading partner, particularly for air travel.

Overall passenger numbers returned to growth at Dublin, Cork and Shannon airports last year as more than 22.7 million passengers used our three Irish airports – a 1% increase on the previous year. Excluding domestic air travel, which has declined dramatically in recent years due to the economic downturn and a major improvement in Ireland's road network, passenger numbers were up by 2% across our three Irish airports.

Passenger numbers on international flights at Dublin and Cork airports increased by 3% during the year. Passenger numbers on international services at Shannon declined by 6% last year. International traffic was flat when adjusted for the exceptional events of 2010 such as volcanic ash and poor weather.

Group turnover was flat at €557 million during the year. Group EBITDA (earnings before interest, tax, depreciation, and amortisation) increased by 9% to €160 million. We continued to reduce our cost base as total operating costs declined by 1% to €275 million. Despite delivering new and improved facilities at our three airports in recent years, we have dramatically reduced the cost base during that period. Group costs have declined by 11% since 2008 and were below 2005 levels last year, notwithstanding the fact that terminal and pier capacity at Dublin Airport was effectively doubled during the period. Group profit for the financial year was €30 million compared to €33 million in 2010.

The Group reduced its net debt from €765 million to €735 million during the year. Gross debt at year-end was €1.19 billion compared to €1.24 billion in 2010. The Group had cash balances of €453 million at year-end, compared to €477 million in the previous year. At the year-end, 87% of the Group's borrowings were due to mature in more than five years. Based on current expectations, the Group's current facilities will secure its funding position until 2018.

During the year, the Company purchased €50 million of its loan notes due in 2018. Just under €550 million of the loan notes remain in issue. A €250 million bond that was due in February 2011 was repaid and a €260 million facility from the European Investment Bank was drawn down during the period under review.

The Group's Credit Rating, which is set by Standard & Poor's (S&P), ended the year at BBB/CreditWatch Negative, which reflected a decline in the Irish sovereign rating due to Irish economic conditions and the situation in the wider Eurozone area. Post year-end, the CreditWatch Negative outlook of the Irish sovereign was lifted and, as a consequence, DAA's rating was also lifted to BBB/Negative Outlook.

The majority of DAA's employees are members of the multi-employer Irish Airlines (General Employees) Superannuation (IAS) Scheme. During the year, the Group participated in talks at the Labour Relations Commission in relation to the funding shortfall in the scheme. Those discussions are ongoing. The Group has no responsibility for the deficit in the IAS scheme.

State Airports Act

The State Airports Act (2004) provides for the separation of Dublin, Cork and Shannon airports, subject to certain statutory preconditions. In 2008, the then Minister for Transport decided to defer a decision on separation until 2011 given conditions in the aviation market at the time.

In October 2011, the Minister for Transport, Tourism and Sport, Leo Varadkar TD commissioned Booz & Company to produce a study on options for the future ownership and operation of Cork and Shannon airports.

The report, a redacted version of which was published by the Department of Transport, Tourism and Sport post year-end, recommended two potential approaches for the future ownership and operation of Cork and Shannon airports. The Minister is currently considering the report and has indicated that he intends to bring proposals on the matter to Government during 2012.

Dublin Airport

Traffic at Dublin Airport increased by 2% last year, as 18.7 million passengers used Ireland's busiest airport. The growth was achieved against a challenging economic climate both at home and abroad.

Overall passenger numbers were affected by a further significant decline in domestic passengers. However there was good growth on international routes, which now account for 99% of total passenger traffic at the airport. International passengers increased by 3% with the strongest growth during the year coming from foreign originating traffic. Visitor numbers to Ireland were up 8% in 2011 and we expect further growth from the tourism sector over the medium term.

Continental European traffic, which is the largest sector of the market, increased by 3% to 9.8 million passengers during the year. The number of passengers travelling between Ireland and Britain was up 4% to 7 million while Transatlantic traffic increased by 5% to 1.6 million. Passenger volumes between Dublin and other international locations were down 2% to 260,000 due to a decline in business to North Africa as a result of unrest in the region during the year.

Domestic traffic declined by 67% with 120,000 passengers taking domestic flights to and from Dublin. A number of domestic routes were curtailed during the year when Public Service Obligation (PSO) contracts ceased. Separately, operations on the Dublin–Cork route also ended during the year.

A total of 62 airlines operated to 171 destinations from Dublin last year. Thirty-two scheduled airlines operated to 152 destinations. Scheduled traffic accounted for 97% of passengers at Dublin Airport, as the charter market continued to decline. The Dublin-London route remains Europe's busiest international city pair with 3.7 million passengers travelling between the two cities, up 5% on 2010.

ARI, DAA’s global retailing subsidiary, **employs** more than **3,500 people** in **12 countries** across **three continents**.

There were **162,016 aircraft movements** at Dublin Airport last year.

Our two largest customers, Ryanair and Aer Lingus had a combined market share of 78% with the remaining 22% divided between the other 60 airlines at Dublin. Ryanair's market share declined from 41% to 39% during the year, while Aer Lingus saw its market share increase from 37% to 39%. Aer Lingus' market share at Dublin increased to 41% when passengers who travelled on Aer Lingus Regional franchise services during the year are included.

The growth in Dublin saw the Company pay €1.5 million in airport charges rebates to 30 airlines that increased their passenger numbers during 2011 under an incentive scheme that will also apply this year and in 2013. Rebates were paid to airlines such as Aer Arann, Aer Lingus, Etihad Airways, Lufthansa, Norwegian, SAS, Swiss, Turkish Airlines and US Airways, all of which grew their Dublin traffic in 2011.

Last year saw US Airways launch a new service to Charlotte, North Carolina; Aer Lingus added routes to Stuttgart, Perpignan and Izmir; and Ryanair started services to Vilnius and Ibiza. Air France/Cityjet commenced a new service to Pau, and Lufthansa started a new Munich service.

The year under review saw the successful completion of the transfer of airline operations to the award-winning Terminal 2 at Dublin Airport and the opening of the new US preclearance facility within the new terminal.

Helped by new and improved facilities over the past five years, Dublin Airport has transformed its service quality levels for passengers. The dramatic results of this improvement can be seen in the most recent Airports Council International (ACI) Airport Service Quality (ASQ) study, for the fourth quarter of 2011.

In this major study Dublin was ranked joint third out of 29 European airports handling between five million and 25 million passengers per year. In the same study five years ago, Dublin was at the bottom of the table of European airports.

The ASQ study is based on interviews with passengers at airports across Europe and measures travellers' opinions and experiences across a wide range of areas including; overall satisfaction with the airport, cleanliness, courtesy and helpfulness of staff, security queuing times, ease of finding their way around the airport and comfort levels at departure gates. We are pleased to have made such strides in the product that we offer to our customers and we will continue to endeavour to improve our customer service to both passengers and airlines alike.

The outlook for 2012 remains positive. Post year-end, in early January, Emirates launched a new Dublin-Dubai service. The airline has been so successful on the route in its early stages that it has already announced plans to expand seat capacity on the service by 52% from this summer through the use of a larger aircraft.

A total of 11 new services have already been announced for Dublin this year and 17 existing services are being expanded through additional frequencies or larger aircraft.

Cork Airport

The number of passengers using Cork Airport declined by 3% to almost 2.4 million during 2011, due primarily to the reduction in domestic travel. Excluding domestic traffic, passenger numbers at Cork increased by 3% last year.

UK traffic declined by 3% with just under 1.2 million passengers flying between Cork and UK destinations. Continental European traffic increased by 10% as more than 1.1 million people took flights to destinations in Europe. Domestic passengers declined by 76% as 41,000 people took domestic flights from Cork during the year.

A total of 25 airlines operated to 53 destinations from Cork last year. There were seven scheduled airlines operating routes to 43 locations. Aer Lingus' market share declined from 50% to 45% as its franchise operator Aer Lingus Regional took over a number of routes during the year. Including the Aer Lingus Regional passengers, Aer Lingus' market share increased to 56%. Ryanair increased its market share by 1 percentage point to 28%.

The decline in UK traffic last year was due to the withdrawal of a number of routes to provincial UK destinations, as traffic to London increased during the period. There was a strong performance in the European market boosted by six new routes launched in 2011 by Aer Lingus, Ryanair and Wizz Air.

That positive trend looks set to continue with four new European routes already confirmed for 2012 from Cork. Ryanair is adding Girona, Palma and Pisa while Aer Lingus is launching a new Brussels service. Additional capacity is also being delivered on a number of UK routes for 2012.

Shannon Airport

Passenger traffic at Shannon Airport declined by 7% to 1.6 million during 2011. Terminal traffic, which is passengers who started or ended their journey at Shannon, declined by just under 8% to 1.3 million during the year.

UK traffic declined by 1% as 753,000 passengers took flights to and from Britain during the year. Continental European traffic declined by 17% as 270,000 passengers took European flights during the year. Transatlantic passenger numbers declined by 8% to just under 320,000. Domestic passenger numbers declined by 93% to about 1,600 last year.

The impact of Ryanair's significant reduction in services at Shannon continued into the first quarter of 2011 and Aer Lingus also reduced its Transatlantic capacity from the airport during the year. Transit and business aviation traffic remained strong and continued to provide an important revenue stream for the airport during the year.

There were 16 airlines operating to 33 destinations from Shannon during the year, including six scheduled airlines operating 22 scheduled routes. Ryanair's market share at Shannon declined from 37% to 28% during the year while Aer Lingus' market share was static at 27%. Aer Lingus' market share increases to 36% when passengers who travelled on the Aer Lingus Regional franchise are included.

Post year-end, Aer Lingus Regional announced a new route to Rennes and increased frequencies on its existing Edinburgh service. Shannon Airport continues to work with airline customers and tour operators to grow and secure additional business for the airport.

Commercial

Two new businesses were launched during the year. Airport Club, a scheme for frequent users of Dublin Airport, was introduced in July. It offers members a range of benefits such as the use of a fast-track lane at security screening and discounted car parking to help enhance their journey through the airport.

Airport Genie, which was launched in October, provides an enhanced experience to users of Dublin Airport by offering a suite of additional services such as assistance with luggage, chaperone, access to executive lounges and use of a fast-track security lane.

The economic downturn continued to negatively impact the profitability of our car park business during 2011. Long-term car parking was particularly affected; however this was offset to some extent by strong yield management in our short-term car parks and by successfully up-selling to higher yielding products.

We continued to migrate our car park booking activity online, with Cork Airport car parking going online during the year and Shannon Airport beginning to sell parking online post year-end. About 70% of parking at Dublin Airport is now sold online, making the Company a significant online retailer in the Irish market.

During the year, the Company completed the previously announced purchase of the Aer Lingus Head Office complex at Dublin Airport. The 9.9 acre site was owned by DAA and had been leased to Aer Lingus for many years. The completion of the transaction provides DAA with full control over a strategic location within the heart of the airport campus.

ARI

Aer Rianta International (ARI), a wholly-owned subsidiary of DAA, manages airport retail operations in 12 countries and holds minority shareholdings in a small number of overseas airports.

During the year, as part of DAA's ongoing transition to a functional structure, management responsibility for retail operations at Dublin, Shannon and Cork airports was transferred to ARI. ARI Ireland is now a key regional business unit within ARI, alongside its counterparts in the Middle East and North America.

The benefits of the new structure include a more focused and consistent approach to retail excellence across all retail operations worldwide and enhanced economies of scale in areas such as business development, purchasing and marketing.

Group sales at ARI's international business declined by 6% during the year due to a move to an indirect sales model in certain locations, however the underlying business saw strong sales.

ARI's overseas business made a profit of €31.8 million in 2011 compared to €18.8 million in the previous year, as one-off factors such as the disposal of its shareholding in three Russian businesses boosted its financial performance.

The highlight of the year for ARI was the signing of a contract with Yunnan Airport Group in south-west China to operate duty-paid shops at its Kunming Changshui International Airport. The agreement, which marks ARI's entry into the high-growth Chinese market, involves the operation of 11 separate shops at Kunming's new 70 million passenger capacity airport terminal. The new airport and ARI's shops will open during 2012.

ARI has identified China as one of its key development markets. As part of its growing investment in the region, a new business development office was established during the period under review in the southern city of Shenzhen close to Hong Kong.

At an operational level, ARI's businesses in India and North America performed very well during the year under review. Sales per passenger continued to exceed expectations at the company's joint venture operations at Delhi International Airport in India, where a first full year's trading concluded successfully in July. Solid growth was also experienced across the company's outlets in Canada, boosted in particular by increased charter traffic. Additional retail space has been secured with the transfer of the company's operations to the newly-opened James Armstrong Richardson Airport in Winnipeg, where ARI's contract has also been extended for 10 years.

Activity at ARI's joint venture operations across the Middle East remained broadly on a par with the previous year. Some operations were impacted by lower passenger volumes at times due to the continued political uncertainty in parts of the region during 2011.

ARI's strategy of reducing its exposure to certain markets continued during the year. The company successfully realised the value in its joint venture minority shareholdings at Moscow's Domodedovo and Vnukovo Airports in May, and in December it sold its 48.3% holding in the Lenrianta joint venture at Saint Petersburg's Pulkovo Airport. ARI continues to operate supply contracts to the purchasers in each case.

At home, ARI Ireland performed well during the year given the general retail climate in Ireland. Our sales at Dublin, Cork and Shannon airports were ahead of last year with average passenger spends up by more than 5%. This was in marked contrast to the Irish retail sector in general, which was in overall decline last year. Total retail sales at our Irish airports, including sales by concessionaires, increased by more than 2% to €225 million in 2011.

Our focus on delivering high quality customer service has generated a substantial improvement in overall customer satisfaction with shopping facilities at our airports. Dublin Airport for example is now consistently rated in the top five airports in Europe for shopping facilities in independent studies carried out under the auspices of ACI. This is a significant improvement from the average top 20 placing that Dublin achieved five years ago.

Feedback on our new retail outlets in Terminal 2 in Dublin has been very positive and our investment in The Irish Whiskey Collection outlet has been particularly popular with customers. The store within a store concept was designed as a shrine to Irish whiskey and was devised to boost sales across the overall sector.

Due to the innovation, Irish whiskey sales were up 26% at Dublin Airport last year, with customers appreciating the combination of staff expertise, high quality service and the widest range of Irish whiskey in the world. The success of this venture was internationally recognised when The Irish Whiskey Collection won a Frontier Award, which is a major international airport retail award, for the Best Speciality Concept in the World. Its continued success with customers is increasing retail profits for the company and also driving Irish exports from Irish whiskey producers throughout the country.

Our highly successful Shop & Collect service continued to expand during 2011, with sales value growing by 42% year-on-year. This service has been particularly useful for high-spending customers who like the convenience of being able to buy several gifts without having to transport the purchases overseas.

We also invested significantly in an upgrade of our Shannon Airport outlet during the year. The new outlet delivers a better experience for our customers and is designed to be simpler and cheaper to operate. The new retail operating model devised for the Shannon store may over time be rolled out to other similarly sized airports in the ARI global network.

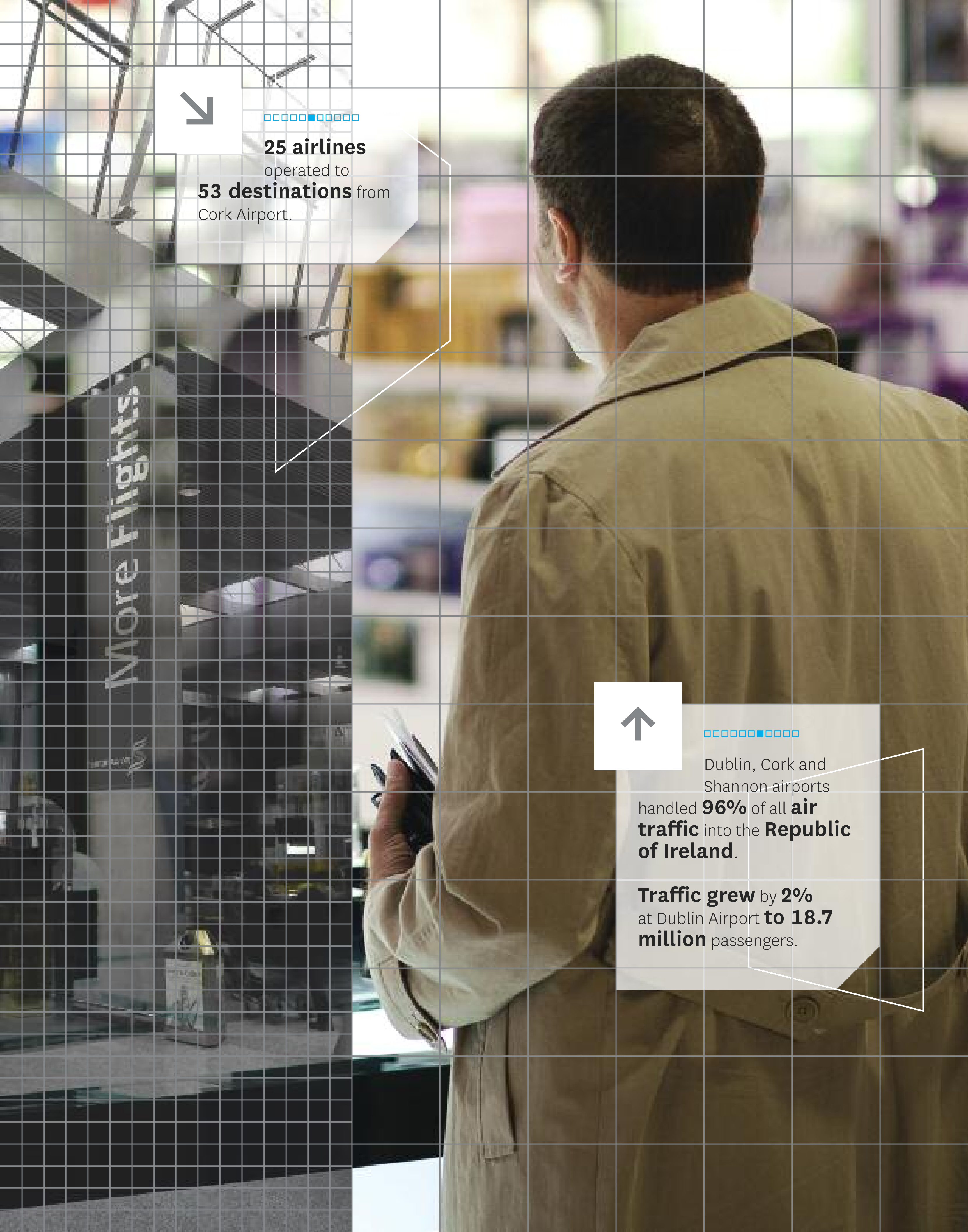
Sustainability

The Group is committed to being a responsible airport operator by minimising its impact on the environment and our immediate neighbours, while stimulating economic growth and making a positive contribution to the society in which we operate.

The United Nations Intergovernmental Panel on Climate Change has estimated that the aviation sector produces about 2% of the world's man-made CO_2 emissions. The world's airports account for up to 5% of the aviation sector's total emissions.

At our three airports, we are committed to reducing the greenhouse gas emissions and reducing the water consumption under our direct control and will seek to influence other users of our airport campuses to achieve similar reductions in their usage.

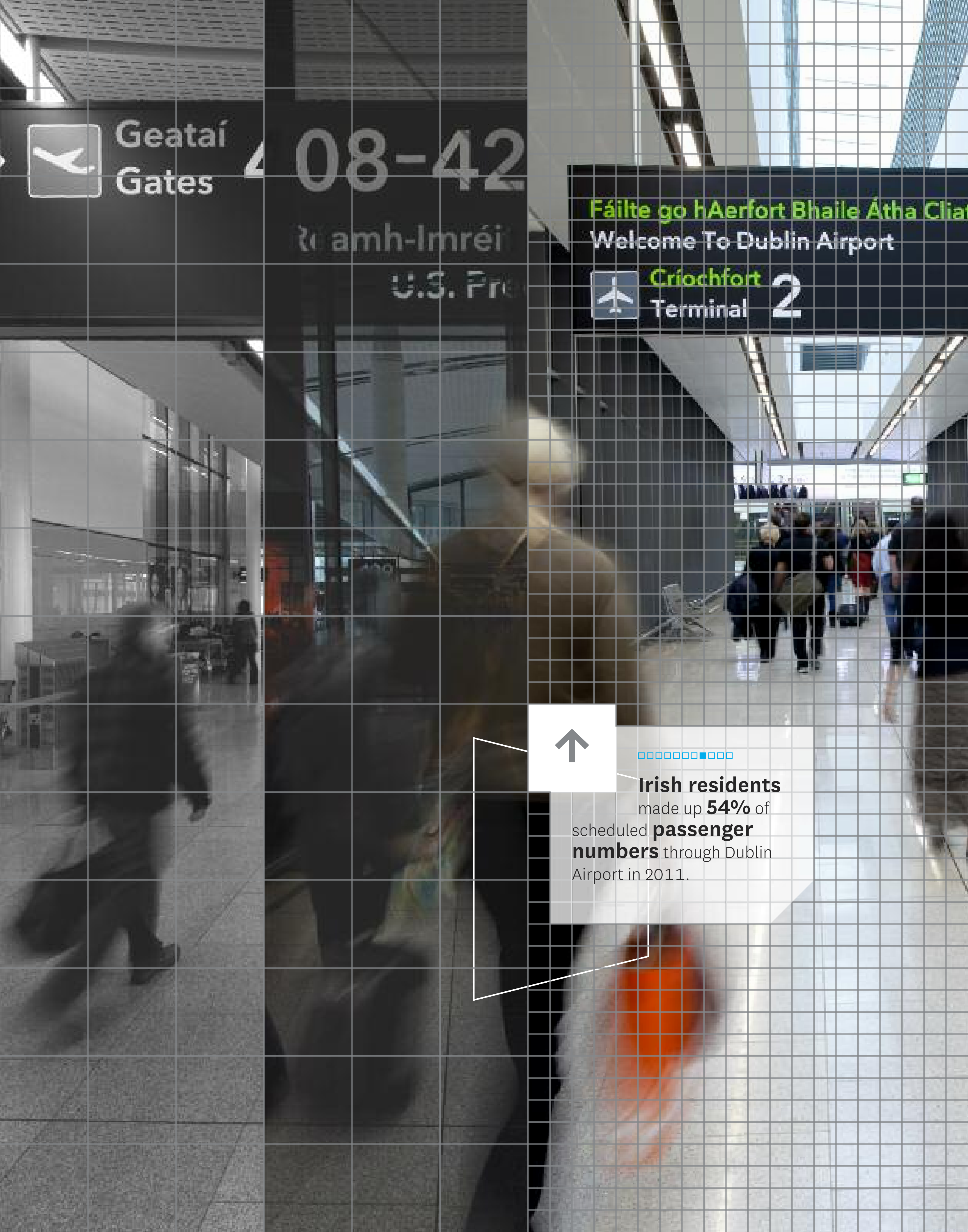
Dublin, Cork and Shannon airports are Airport Carbon Accredited as part of a Europe-wide airport carbon management certification programme that now covers more than half of the continent's air passenger traffic.



25 airlines operated to **53 destinations** from Cork Airport.

Dublin, Cork and Shannon airports handled **96%** of all **air traffic** into the **Republic of Ireland**.

Traffic grew by **2%** at Dublin Airport **to 18.7 million** passengers.



Irish residents made up **54%** of scheduled **passenger numbers** through Dublin Airport in 2011.

The Airport Carbon Accreditation programme has four levels of certification:

— Mapping, which is an independent verification of an airport's carbon footprint
— Reduction, which measures actual carbon reduction
— Optimisation, which involves the reduction of emissions of non-airport companies on the airport campus, with the airport operator helping to influence this process
— Neutrality, which involves offsetting the remaining carbon footprint associated with the airport's operations.

During the year, Dublin and Cork airports moved to the reduction level of accreditation within the programme, as they successfully reduced their carbon footprint. A combined reduction in CO_2 of about 3,500 tonnes was recorded at Dublin and Cork airports between 2009 and 2010. This reduction is the equivalent of taking about 1,100 cars off the road for a full year.

As they both reduced their carbon footprint, Dublin Airport and Cork Airport are Airport Carbon Accredited for Reduction, while Shannon Airport remains Accredited for Mapping. We are hopeful that Shannon Airport will shortly move to the reduction stage of the scheme.

As operators of the State's three largest airports we are embedded in the community at both a local and a national level. We operate vital strategic national assets and we are also a major employer in Dublin, Cork and Shannon. We maintain a positive and constructive relationship with the communities in which we operate and act as a positive force for sustainable development in each region and also nationally.

In Dublin, the Company is a founder member of The Green Way, a Cleantech cluster organisation that aims to develop Ireland's first Green Economic Zone. DAA is working on this initiative with key players in the region and its near neighbours including Ballymun Regeneration, DIT, DCU, Dublin City Council, Fingal County Council, and the North Dublin Chamber of Commerce.

Acknowledgements

Finally, I wish to thank all of my colleagues at DAA for their continued efforts during the year and during my past seven years as Chief Executive of the Group. I would also like to thank the Company's former Chairman David Dilger, its new Chairman Pádraig Ó Ríordáin, the Board and the entire executive team for their support.

Declan Collier, Chief Executive
23 March 2012

2011 Financial Review

Group Financial Highlights	2011	2010	2009
Passengers			
Total ('000)	22,728	22,612	26,067
Growth (%)	1%	-13%	-13%
Profitability (€'m)			
Turnover	557	558	547
Growth (%)	-0.2%	2%	-13%
Group EBITDA[1]	160	147	126
Growth (%)	9%	17%	-19%
Group profit excluding exceptionals	26	33	38
Group profit/(loss) for the year	30	33	(13)
Cash Flow (€'m)			
Cash flow from operating activities	165	147	131
Cash flow before financing / liquid resources	25	(148)	(429)
Balance Sheet (€'m)			
Gross assets[2]	2,564	2,612	2,612
Shareholders' funds	1,044	1,012	977
Gross debt	1,188	1,242	1,254
Cash	453	477	638
Net debt	735	765	616
Capital Expenditure (€'m)			
Capital expenditure additions	86	243	522
Key Ratios			
Group EBITDA: Net interest charge[3]	3.1x	5.0x	11.4x
Net debt: Group EBITDA	4.6x	5.2x	4.9x
Group EBITDA: Turnover	29%	26%	23%
Return on average equity[4]	3%	3%	4%

1 Group EBITDA comprises group earnings before interest, tax, depreciation, amortisation and exceptional items from group activities, excluding contributions from associated and joint venture undertakings.
2 Gross assets comprise fixed and current assets.
3 Net interest charge comprises Group net interest, excluding associated and joint venture undertakings.
4 Return on average equity is based on Group profit excluding exceptional items as a percentage of average shareholders' funds.

Profitability

The Group recorded a profit for the financial year of €30 million, compared with a profit of €33 million in 2010. When exceptional items (net of tax) of €4 million (2010: €0.3 million) are excluded Group profit for the year was €26 million (2010: €33 million). Group EBITDA for the year increased by €13 million (9%) to €160 million. This reflected an increase in gross profit contribution of €10 million associated with an increase in airport charges plus operating cost savings (payroll and non payroll) of €3 million.

Passenger volume and growth

Passenger numbers at the three airports were 22.7 million, an increase of 1%. Passenger numbers at Dublin Airport were 18.7 million, an increase of 2%. At Shannon Airport passenger numbers declined to 1.6 million, a decrease of 7%. Passenger numbers at Cork Airport were 2.4 million, a decrease of 3%.

Turnover

Group turnover was €557 million, a decrease of €1 million (0.2%) on the previous year. Some €332 million of turnover came from commercial activities both overseas and at the three airports, a decrease of €21 million (6%) on 2010. Turnover from aeronautical activities increased by €20 million (10%).

Operating costs

Total Group operating costs (excluding cost of sales, depreciation, amortisation and exceptional items) decreased by €3 million (1%) to €275 million reflecting the impact of the Group's Cost Recovery Programme ("CRP") (see Note 4) and the absorption of the full year costs of operating Terminal 2 at Dublin Airport during 2011. Group payroll costs increased by €3 million (2%) and Group non-payroll costs decreased by €6 million (5%).

Exceptional items

Exceptional items are set out in Note 4 and include a provision of €5.7 million in respect of the CRP, a profit on disposal of investment in associates of €3.8 million, a profit on repurchase of loan notes of €5.0 million and a profit on sale of a discontinued operation of €0.3 million. Total net exceptional items after tax were €4.2 million in 2011 (2010: €0.3 million).

Depreciation and amortisation

Depreciation and amortisation costs (excluding exceptional items) increased by €29 million to €103 million.

Associates and joint ventures

Group share of operating profits (before interest and taxation) from associates and joint ventures increased by €17 million to €36 million.

Interest

Group net interest expense (excluding associates and joint ventures) for 2011 was €52 million (2010: €29 million). Interest capitalised amounted to €0.5 million (2010: €27 million). The Group's share of net interest cost from associates and joint ventures was €5 million (2010: €11 million).

Taxation

The Group taxation charge decreased by €8 million to €7 million. Excluding exceptional items, the effective tax rate was 20% (2010: 29%) reflecting that, in particular, higher tax rates apply to the Group's international operations relative to its Irish activities.

Cash flow and funding

Net cash inflow from operating activities was €165 million (2010: €147 million). The increase primarily reflects increased aeronautical charges and reductions in costs arising from the CRP. At the end of 2011, the Group had net debt of €735 million compared to €765 million in 2010. Cash was €453 million at year-end (2010: €477 million).

Group interest cover was 3.1 times (2010: 5.0 times) based on Group EBITDA divided by the Group net interest charge.

Balance Sheet

Shareholders' funds increased to €1,044 million (2010: €1,012 million).

Gross assets were €2.6 billion (2010: €2.6 billion). Fixed and financial assets were €2.0 billion (2010: €2.0 billion).

Company accumulated profit and loss account, the basis for determining company distributable reserves, decreased by €11 million to €635 million at 31 December 2011.

Treasury

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

On occasion, the Group utilises derivatives to eliminate or reduce foreign exchange and interest rate risks arising from the Group's operations and its sources of finance.

Liquidity risk

The Group's policy is to ensure continuity of funding by (a) maintaining committed facilities covering the minimum of 12 months capital expenditure or 18 months net financing needs and (b) ensuring a substantial portion of borrowings mature in more than five years. Some 87% of the Group's borrowings at the end of 2011 were due to mature in more than five years. Undrawn committed facilities were €300 million at the year-end. At the year-end the Group had capital commitments (both contracted and uncontracted) of €29 million. Liquidity at the same date was €753 million, comprising cash of €453 million and undrawn committed borrowing facilities of €300 million.

Interest rate risk

The Group's policy is to protect the profit and loss account and cash flows from material adverse movements in interest rates by undertaking controlled management of the interest rate structure on the Group's borrowings and investments. At the end of 2011, 78% of the Group's debt was denominated as fixed interest debt, thus minimising exposure to interest rate fluctuations. This includes listed debt through a eurobond issue and long-term loans from the European Investment Bank. During 2011, the weighted average interest rate applicable to the Group's borrowings was 5.0% down from 5.9% in 2010. The Group's policy is to maintain a minimum fixed ratio of 70% on existing debt.

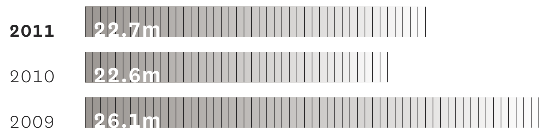
Foreign exchange risk management

The Group's Irish businesses are primarily euro denominated. The Group has a number of overseas subsidiary and associated undertakings from which dividends and management charges are denominated in foreign currencies. Where they do arise, the Group's policy is to minimise currency transaction risk, by seeking to hedge foreign exchange transaction exposures that might impact on reported profit. Currency exposures are disclosed in Note 28. The Group does not carry foreign currency exposures other than in the normal course of business.

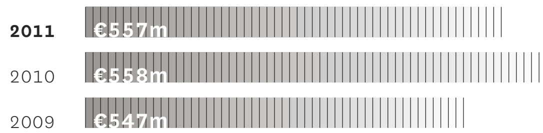
Credit risk

The Group's credit risk consists principally of cash deposits, short-term investments and trade debtors. Cash surpluses are deposited with banks and institutions with an appropriate credit standing and backing. The Group has formalised procedures for the setting of credit limits, including the monitoring of trade debtors, and deposit limits.

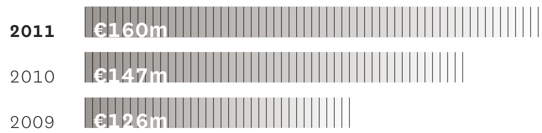
Total Passenger Numbers



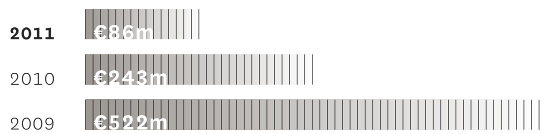
Group Turnover



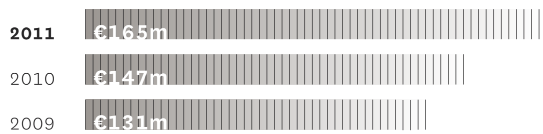
Group EBITDA



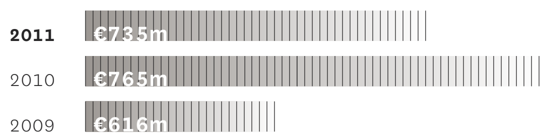
Fixed Asset Additions



Cashflow from Operating Activities



Group Net Debt



16 airlines operated to **33 destinations** from Shannon Airport.

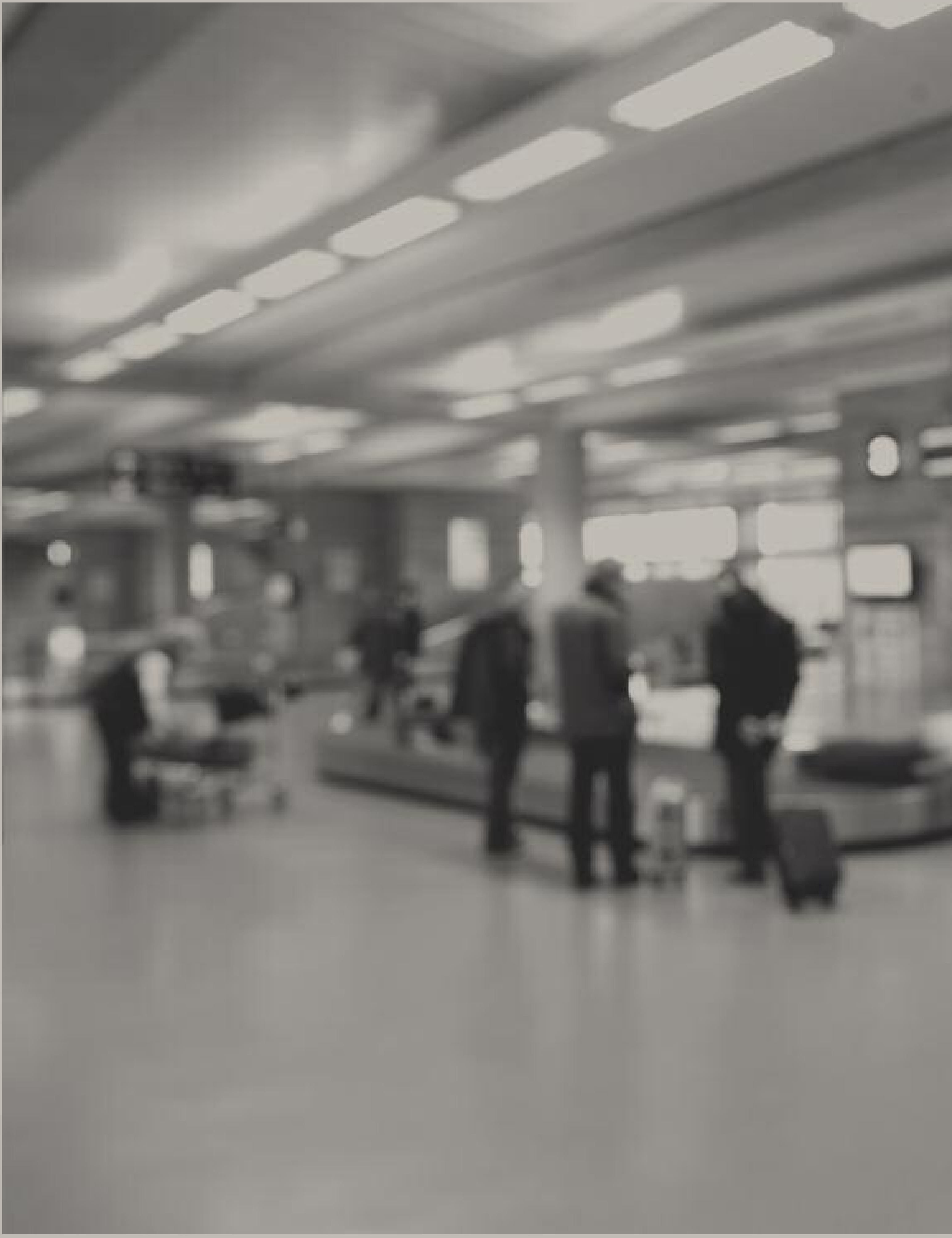
The leisure market accounted for **83% of passengers** using Dublin Airport.

The DAA has invested **€1.6 billion** at Dublin, Cork and Shannon airports **since 2005**.

DAA airports **support** an estimated **68,000 jobs** in the Republic of Ireland.

Directors' Report and Consolidated Financial Statements

2011



Report of the directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2011.

Principal Activities

The Group's principal activities are airport development, operation and management, Irish and international airport retail management and international airport investment.

Review of the Business and Future Developments

Detailed commentaries on performance for the year ended 31 December 2011, including information on recent events, likely future developments, principal risks and uncertainties facing the business and key performance indicators, required in accordance with Statutory Instrument 116 of 2005: European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005, are contained in the Chairman's Statement, the Chief Executive's Review and the 2011 Financial Review.

As set out below, the financial results of the Group for the year show a profit for the financial year amounting to €30.2 million compared with a profit of €33.1 million for 2010, summarised as follows:

	2011	2010
	€ million	€ million
Group operating profit	**57.7**	72.5
Share of operating profit of associates and joint ventures	**36.0**	18.9
Exceptional items[1] – cost recovery programme and other	**(1.5)**	0.4
Group profit before interest and taxation	**92.2**	91.8
Interest (net)[2] – Group, associates and joint ventures	**(56.2)**	(39.8)
Exceptional item[1] – profit on repurchase of loan notes	**5.0**	–
Group profit before taxation	**41.0**	52.0
Tax – Group, associates and joint ventures	**(6.8)**	(15.1)
Group profit after taxation	**34.2**	36.9
Minority interest	**(4.0)**	(3.8)
Group profit for the financial year	**30.2**	33.1

1. See Note 4 to the financial statements
2. Includes income from other financial assets

Details of the results for the year are set out in the Group profit and loss account and related notes.

State Airports Act 2004 and Separation of Cork and Shannon Airports

In 2003, the Government announced its intention to restructure the Company, the necessary legislative basis for which is set out in the State Airports Act 2004 ("the 2004 Act"), pursuant to which it is proposed that the Group will, in the future, cease to own Shannon and Cork airports (the "Restructuring").

Pending the completion of the Restructuring, all assets and liabilities of Cork and Shannon airports remain within the Company as does ultimate responsibility for the management, operation and development of these airports. Following the Restructuring, Cork Airport Authority plc ("CAA") and Shannon Airport Authority plc ("SAA"), which are owned by the State but which are not part of the Group, will act as fully independent and legally autonomous airport authorities for Cork and Shannon airports respectively. Pending this, and pursuant to the 2004 Act, the Company has entered into a management agreement with each of CAA and SAA for the performance of certain of its functions in relation to Cork and Shannon airports respectively.

In December 2008, the then Minister for Transport announced the deferral until 2011 of a decision on the Restructuring given the very difficult circumstances in the aviation sector. In 2011, The Minister for Transport, Tourism and Sport ("The Minister") commissioned Booz & Company ("Booz") to conduct a study on options for the future ownership and operation of Cork and Shannon airports to inform Government policy. Booz subsequently furnished a report to the Minister on this matter. The Company understands that it is the Minister's intention to consider the recommendations of the Booz report and to bring proposals on the matter to Government in 2012.

Corporate Governance

The directors are committed to maintaining high standards of corporate governance. Set out below are details of how the relevant principles of good governance contained in the UK Corporate Governance Code 2010 (the "UK Code") and the Irish Corporate Governance Annex (the "Irish Annex") are voluntarily applied in Dublin Airport Authority plc. The directors believe that the application of these principles assist the Group to comply with the ethical and other considerations implicit in the Code of Practice for the Governance of State Bodies published by the Department of Finance.

The following paragraphs deal with the Group's compliance with the UK Code and the Irish Annex.

The Board

The Group is headed by the Board, which may comprise of up to thirteen directors. The Minister, with the consent of the Minister for Public Expenditure and Reform, appoints the Chairman and all of the directors, to the Board, as provided for in Sections 27 and 22 respectively of the Air Navigation and Transport (Amendment Act) 1998 and amended by the State Airports Act 2004. The directors' terms of appointment are for a period not exceeding five years, and they are eligible for re-election. Four of the directors are appointed under the Worker Participation (State Enterprises) Acts, 1977 to 2001 ("Worker Participation Acts") and the term of appointment of these directors is four years. These directors are also eligible for re-election as provided for in the Worker Participation Acts. The Chief Executive is appointed by the Board and is an ex-officio director of DAA. The role of the Chairman is separate to that of the Chief Executive. The combined skills, knowledge and experience of the directors in their areas of expertise and within the broader commercial field bring the necessary competence to the Board to address the major challenges for the Group.

The Board considers that all directors are independent in character and judgement. As required by the UK Code and the Irish Annex, the Board has completed an evaluation of the independence of its members using the independence criteria as set out in the UK Code. Having regard to the criteria as set out in the UK Code, the Board considers that the Chief Executive and the four directors elected pursuant to the Worker Participation Acts, all of whom have contracts of employment with the Company, cannot for that reason be considered as independent for the purposes of the UK Code. Notwithstanding that the remaining directors have all been selected for, and appointed to the Board by the Minister, with the consent of the Minister for Public Expenditure and Reform (the principal shareholder), the Board considers them to be independent for the purposes of the Code. Mr Gerry Walsh and Mr Brian O'Connell were the chairpersons of CAA and SAA respectively (see "State Airports Act 2004 and Separation of Cork and Shannon Airports" above) until the expiration of their terms on 31 December 2011; however in view of the deferral of a decision on the Restructuring, their chairmanship of CAA and SAA respectively was not considered by the Board to compromise their independence. Mr. Gerry Walsh was re-appointed to the Board of DAA with effect from 3 February 2012 but has not been re-appointed to the CAA board. Ms. Marie O'Connor is a partner in a professional services firm which provides advisory services to the Group; however as Ms. O'Connor had no involvement in either the procurement by the Group of such services or the provision of such services to the Group, her partnership of the firm was not considered by the Board to compromise her independence during her term of office which expired on 6 November 2011.

Mr. Pádraig Ó Ríordáin, who was appointed as Chairman on 19 January 2012, is a partner in a law firm which provides legal services to the Group. However as Mr. Ó Ríordáin has no involvement in either the procurement by the Group of such services or the provision of legal services to the Group, his partnership of the firm is not considered to compromise his independence.

As more fully set out under 'Directors' and Secretary's Interests' below, the Board has specific procedures to deal with potential conflicts of interest that may arise.

In line with the requirements of the UK Code, it is Board policy that the Chairman holds meetings with directors without executives present. Led by the Senior Independent Director, in March 2011, the Board met without the Chairman present to appraise the performance of the then Chairman.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution of directors and constructive relations between directors, ensures that directors receive accurate, timely and clear information and manages effective communication with the shareholder. In the absence of an appointed Chairman for a period during 2011, the functions of the Chairman, in terms of leading the board meetings, were met in the first instance by the Senior Independent Director until his term of office expired in November 2011 and thereafter by other members of the Board.

Regular meetings of the Board are held throughout the year. The Board is responsible for the proper management of the Group and for the long-term success of the Group. It takes all significant strategic decisions and retains full and effective control while allowing management sufficient flexibility to run the business efficiently and effectively within a centralised reporting framework.

On 31 May 2011 Mr. David Dilger (Chairman) resigned from the Board. The terms of office of the following directors expired: Mr. Bill Cullen, Sir Michael Hodgkinson and Ms. Marie O'Connor (all on 6 November 2011), Mr. Peter Barrett (30 November 2011) and Mr. Brian O'Connell and Mr. Gerry Walsh (both on 31 December 2011). The Minister, with the consent of the Minister for Public Expenditure and Reform, appointed Mr. Pádraig Ó Ríordáin as Chairman of the Board on 19 January 2012 and appointed Mr. John Lynch and Mr. Colm McCarthy and re-appointed Mr. Gerry Walsh to the Board on 3 February 2012.

The total number of meetings held by the Board during the year was fourteen, which were attended as follows:

Director	Attendance
Mr. David Dilger	5/5
Mr. Declan Collier	14/14
Mr. Peter Barrett	11/13
Mr. Gerard Collins	11/14
Mr. Bill Cullen	10/12
Mr. Thomas Guilfoyle	14/14
Sir Michael Hodgkinson	8/12

Director	Attendance
Mr. Michael Lenane	12/14
Mr. Barry Nevin	13/14
Ms. Mary McCabe	11/14
Mr. Brian O'Connell	11/14
Ms. Marie O'Connor	12/12
Mr. Gerry Walsh	11/14

The Board has reserved certain items for its review including, inter alia:

— Annual financial statements
— Annual budgets
— Strategic plan
— Treasury policy
— Significant acquisitions, disposals, investments in joint ventures
— Significant contracts
— Property transactions
— Major investments and capital expenditures
— Appointment of Chief Executive and matters concerning organisation structure
— Delegated authority levels.

The Board is provided with regular information, which includes key performance indicators for all aspects of the business. Regular reports and papers are circulated to the directors in a timely manner in preparation for Board and committee meetings. These papers are supplemented by information specifically requested by the directors from time to time.

Regular management financial reports and information are provided to all directors which enables them to scrutinise the Group's and management's performance against agreed objectives.

All directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. The Company's professional advisers are available for consultation by the Board as required. Individual directors may take independent professional advice, in line with Company procedures, at the Company's expense.

On appointment, all directors are provided with briefing documents on the Group and its operations as well as relevant training. The incoming Chairman has met individually with each of the Board members and in the context of a number of new appointments to the Board in 2012, the training and development needs of the Board and the individual members are being addressed.

During 2011, and prior to the expiry of his term of office, Mr. Bill Cullen was the Senior Independent Director. The appointment of a replacement Senior Independent Director is pending.

Performance Evaluation

The Board completed a formal evaluation of its performance and that of the Audit Committee in early 2011. These reviews were conducted by way of online confidential surveys and all directors participated in the process. The objective of the evaluation was to ascertain from Directors how they perceived the Board was performing, to identify aspects of the Board's performance that were working well and those areas where improvements could be made to enhance the overall effectiveness of the Board's performance.

Reports on the outcome of the reviews were prepared for the Board and the Audit Committee respectively. It is intended to conduct the next formal externally facilitated review before the end of 2012. The Board does not conduct a formal review of the individual performance of directors but the Chairman does communicate with directors individually during the year.

Board Committees

The Board has an effective committee structure to assist in the discharge of its responsibilities.

Details in relation to the Audit Committee, the Nomination & Remuneration Committee, the Health, Safety, Security & Customer Service Committee and the Airport Development Committee, including their current Board membership, are set out below.

Audit Committee

During 2011, the Audit Committee comprised Mr. Peter Barrett (Chairman), Mr. Gerard Collins, Ms. Marie O'Connor and Mr. Gerry Walsh. The Board is satisfied that the Audit Committee had membership which incorporated recent and relevant financial experience for the purposes of paragraph C.3.1 of the UK Code.

The current Audit Committee was established in February 2012 and currently comprises of Mr. Gerry Walsh (Chairman), Mr. Gerard Collins and Mr. Colm McCarthy.

There were seven meetings of the Audit Committee in the year. Details of attendance by individual directors at these meetings are set out under *Attendance at Board Committees* below.

During the course of the year, the Committee has also held closed meetings and has also met privately with both the external and internal auditors. The Head of Internal Audit has a private line of communication with the Chairman of the Audit Committee. His executive reporting line is to the Deputy Chief Executive and he is appointed, and may only be dismissed, by the Committee.

Regular attendees at Committee meetings, at the invitation of the Committee, include the Chief Executive, Deputy Chief Executive, Group Chief Financial Officer, Director of Corporate Services (responsible for the risk management function), Head of Internal Audit and the external auditor.

The Audit Committee is responsible for assisting the Board in its oversight responsibilities relating to internal control and risk management; financial reporting; external audit; and internal audit. The full terms of reference, which have been formally approved by the Board, are available on request from the Company Secretary's office.

Key responsibilities of the Audit Committee include:

— Monitoring the integrity of the Group financial statements
— Monitoring and reviewing the internal control and risk management systems and the effectiveness of the company's internal audit function
— In relation to external auditors, recommending appointments, monitoring effectiveness, independence and objectivity, approving remuneration and terms of engagement and determining policy on the supply of non-audit services.

Report of Audit Committee Activities

Financial Reporting

The Committee reviewed the draft annual financial statements before recommending their approval to the Board. The Committee considered, and discussed with the Chief Executive, Group Chief Financial Officer and external auditors, the appropriateness of the significant accounting policies, estimates and judgements applied in preparing these financial statements, together with presentational and disclosure issues.

Internal Controls

The Audit Committee reviewed, on behalf of the Board, the effectiveness of the Group's system of risk management and internal control. Monitoring covered all controls, including financial, operational and compliance controls and risk management processes. During the year, the Committee considered reports from the Head of Internal Audit summarising the work planned and undertaken, recommending improvements and describing actions taken by management.

Risk Management

The Committee monitored, on behalf of the Board, the Group's ongoing process for identifying and evaluating the significant risks affecting the Group and the policies and procedures by which these risks are managed. The Committee reviewed the overall work of the risk management function and considered the processes both for recommending risk appetite and for identifying, reporting and managing both existing and emerging risks. The Committee received periodic presentations on the risk management framework applied, including considering the divisional risk registers and management actions to address, mitigate and manage risks on a continuing basis. This complemented regular Board receipt of management reports on emerging risks and significant changes in the business and external environment which affect the existing risk register.

Internal Audit

The Committee reviewed the plans and work undertaken during the year by the Group's Internal Audit department, including reports relating to overseas subsidiary and associated undertakings, and the consequential actions agreed with management. The Committee was appraised by the Head of Internal Audit of the findings of internal audit reviews. The Committee also considered management's progress in addressing the relevant issues, including the nature, extent and speed of response. The Committee reviewed and agreed a risk-based internal audit annual plan, including the resources required, and considered the alignment of internal audit focus with the areas of greatest risk facing the Group. The Committee also evaluated the performance of internal audit from the quality of reports and recommendations from the Head of Internal Audit.

The Committee received reports from the Head of Internal Audit on the confidential reporting system ("whistle blowing") by which employees may raise, in confidence, matters of possible impropriety, and the Committee is satisfied that appropriate procedures are in place for follow-up of such matters.

External Audit

The Committee approved the remuneration and terms of engagement of the external auditor. The Audit Committee reviewed the external audit plan and the findings of the external auditor from its audit of the annual financial statements. The Committee took appropriate steps to ensure that an objective and professional relationship was maintained with the external auditor.

The Committee carried out an assessment of auditor independence and objectivity. This included reviewing a) the nature and extent of the services provided, and fees earned, for external audit and non-audit work carried out by the external auditor and b) compliance with the Group's policy governing the provision of non-audit services to the Group whereby clear rules and limits are in place, permitting non-audit services which do not present a conflict of interest.

Fees paid to the Group's auditor for audit services, audit related services and other non-audit services are set out in Note 7 of the financial statements. There were no instances where the external auditor was engaged to provide services which were adjudged to give rise to a conflict of interest.

The Committee also monitored the external auditor's compliance with relevant regulatory, ethical and professional guidance on the rotation of partners, as well as assessing annually its qualifications, expertise, resources and the effectiveness of the audit process.

The Committee determined that the Group's external audit services should be put out to tender in 2012, following which the Committee will make a recommendation to the Board regarding the appointment or re-appointment of external auditors in respect of the 2012 consolidated financial statements.

Audit Committee Evaluation and Reporting

The Audit Committee conducted a self-evaluation of its terms of reference, composition, procedures, contribution and effectiveness, ensuring that it is satisfied as to its effective operation and compliance with all applicable legal and regulatory requirements. The Committee concluded that it was satisfied that it understands and fulfils its obligations, with the commitment and contribution of members and with its effectiveness. The Committee continued its practice of periodically reviewing the terms of reference of the Audit Committee, with changes being recommended to the Board for approval.

The report of the Chairman of the Committee was a standing item at each scheduled Board meeting, whereby significant issues considered by the Committee are reported to and considered by the Board.

Nomination & Remuneration Committee

During 2011, the Nomination & Remuneration Committee comprised Mr. David Dilger (Chairman), Mr. Bill Cullen, Sir Michael Hodgkinson and Ms. Marie O'Connor. There were ten meetings of the Committee during the year. Details of attendance by individual directors at these meetings are set out under *Attendance at Board Committees* below.

The Committee determines, on behalf of the Board, the remuneration and other terms and conditions of employment of the Chief Executive, having regard to Government guidelines on these matters as set out from time to time. The Committee is also mandated to consider matters which should be advised to the Minister in the context of pending Board vacancies having regard to the skills and competencies required of Board members. The full terms of reference, which have been formally approved by the Board are available on request from the Company Secretary's office.

The Chairman of the Nomination & Remuneration Committee reports to the Board on significant issues considered by the Committee.

Attendance at Board Committees

Details of the individual attendance by directors at Audit and Nomination & Remuneration Committees for 2011 were as follows:

Audit Committee

Director	Attendance
Mr. Peter Barrett (Chairman)	7/7
Mr. Gerard Collins	6/7
Ms. Marie O'Connor	5/6
Mr. Gerry Walsh	7/7

Nomination & Remuneration Committee

Director	Attendance
Mr. David Dilger (Chairman)	7/7
Mr. Bill Cullen	9/10
Ms. Marie O'Connor	10/10
Sir Michael Hodgkinson	9/10

Details of the individual attendance by directors at the Health, Safety, Security & Customer Service and Airport Development Committees for 2011 were as follows:

Health, Safety, Security & Customer Service Committee

Director	Attendance
Mr. Bill Cullen (Chairman)	3/3
Mr. Brian O'Connell	1/3
Mr. Gerard Collins	1/3
Mr. Barry Nevin	3/3
Ms. Mary McCabe	1/3
Mr. Tommy Guilfoyle	3/3

Airport Development Committee

Director	Attendance
Sir Michael Hodgkinson (Chairman)	2/2
Mr. Declan Collier	2/2
Mr. Michael Lenane	2/2

Directors' and Secretary's Interests

The directors and secretary had no beneficial interest in the shares or loan stock of the Company or in those of its subsidiaries at any time during the year or the preceding financial year other than Mr. David Dilger who had a beneficial interest in €500,000 of the listed 6.5872% loan notes repayable in 2018 issued by the Company's subsidiary, DAA Finance plc.

The Board is satisfied that its directors are free from any business or other relationship that could materially affect, or could appear to affect, the exercise of their independent judgement. On occasion, members of the Board may also hold directorships or executive positions or have interests in third party companies, including banks and financial institutions, certain of which are under ownership, control or significant influence from the Irish Government, some of which (or their affiliates) may, in the normal course of business, undertake transactions on an arm's length basis with the Group.

It is the practice, in accordance with the provisions of section 34 of the Air Navigation and Transport (Amendment) Act, 1998 and the Code of Practice for the Governance of State Bodies, that all directors disclose any required interest and absent themselves from Board discussions where they have a direct or indirect interest. Disclosure is provided, as required, in Note 30 of the financial statements "Related Party Disclosures" of related party transactions where the director holds a material interest in the relevant entity. In accordance with company law, details of directorships held by members of the Board are filed in the Companies Office.

Directors' Remuneration

Fees for directors are determined by the Minister, with the consent of the Minister for Public Expenditure and Reform. Details of directors' fees and emoluments are set out in Note 7 to the financial statements in accordance with the requirements of the Companies Acts, 1963 to 2009, and the Code of Practice for the Governance of State Bodies.

Directors elected pursuant to the Worker Participation Acts, are remunerated in respect of the positions they hold in the Company under their normal contracts of employment. The remuneration of the Chief Executive is determined in accordance with the arrangements issued by the Department of Transport, Tourism and Sport for determining the remuneration of chief executives of Commercial State Bodies under its aegis and is subject to the approval of the Nomination & Remuneration Committee and the Minister. Details of the Chief Executive's remuneration are set out in Note 7 of the financial statements.

Internal Control and Risk Management Systems

The directors acknowledge their overall responsibility for establishing and maintaining the system of internal control throughout the Group. The system of internal control comprises those ongoing processes for identifying, evaluating and managing the significant risks faced by the Group and the key structures and procedures designed to provide an effective system of internal control. Such a system is designed to manage rather than eliminate risk of failure and can therefore only provide reasonable and not absolute assurance that the Group will achieve those objectives or that the Group will not suffer material misstatement or loss.

The organisation structure of the Group under the day-to-day direction of the Chief Executive is clear. Defined lines of responsibility and delegation of authority have been established.

The directors have established a number of key procedures designed to provide an effective system of internal control, which includes an annual review of the effectiveness of the system of internal control. The key procedures which are used to maintain an effective internal control system and which are supported by detailed controls and processes are as follows:

— A Board approved strategic plan;
— Formalised risk reporting systems with active Board involvement in assessing key business risks faced by the Group and determining the appropriate course of action for managing these risks;
— A schedule of items reserved to the Board for approval;
— Representation at Board level in the Group's principal associates and joint ventures by senior Group executives;
— Formal and active boards for each subsidiary company;
— An active Board sub-committee structure;
— An Audit Committee, which reviews audit plans and deals with significant control issues raised by the internal or external auditors and meets periodically with the internal auditors and the external auditors;
— A Nomination & Remuneration Committee that, inter alia, determines and approves remuneration and performance related pay arrangements for the Chief Executive;
— A Health, Safety, Security & Customer Service Committee of the Board that monitors and reviews matters in relation to aviation safety and security, and health and safety at the airports;
— Health, Security, Safety and Environment functions which monitor and report on aviation safety, security and environmental standards and operational procedures at the airports;
— Executive management over-seeing capital, revenue and employment matters;
— A clearly defined organisation structure with appropriate segregation of duties and delegation of responsibility and authority within which the Group's activities can be planned, executed, controlled and monitored to achieve the strategic objectives which the Board has adopted for the Group;
— A comprehensive system of management and financial reporting, accounting, treasury management and project appraisal;
— Clearly defined limits and procedures for financial expenditure including procurement and capital expenditure;
— Annual budgets and financial plans for the Group and business units;
— Monitoring of performance against budgets for the Group and its principal associates and joint ventures and reporting thereon to the Board on a monthly basis;
— An Internal Audit department which reviews key systems and controls;
— Full access to the Audit Committee for internal and external audit.

The directors acknowledge their responsibility for determining the nature and extent of the significant risks the Group is willing to take in achieving its strategic objectives. Risk management is an integral part of the Group's decision making and comprises the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse consequences arising from the Group's commercial and operational activities.

The Board is responsible for setting the risk appetite of the Group. The Board has clearly defined its risk appetite in a risk appetite statement.

The risk management process in the Group involves defining and analysing risks, and then deciding on the appropriate course of action in order to minimise these risks whilst still achieving business goals. The risks faced by the Group include strategic and financial risks as well as risks relating to people, structures, systems and technology and safety, security and environmental matters. The risk management system also involves providing assurance that mitigation strategies and internal controls are effective.

The Risk Assurance function, covering Risk Management, Internal Audit, Health, Safety & Security and Environmental compliance, reports to the Deputy Chief Executive. Management is responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. Risk registers which are prepared by individual risk owners are updated regularly and monitored and reviewed by the corporate risk management function. The holding of business risk workshops and regular update reviews at a divisional level, together with reviews of divisional risks with the executive management and Audit Committee support this process. As part of the risk identification process, management have identified the significant risks which could materially adversely affect the Group's business, financial condition or results of operations. These risks are assessed on a continual basis and management report to the Board significant changes in the business and external environment, which affect the significant risks identified.

The risk process has identified the following principal risks and uncertainties that may affect the future development of DAA. This is not intended to be an exhaustive analysis of all the risks which may arise in the ordinary course of business.

Business Continuity
The Group's operations are subject to operational risks and other unforeseen risk events such as weather events, fire, mechanical systems failure, technical failures and terrorism. Serious disruption to operations and commercial activities can also arise due to internal or third party industrial action. Long-term disruptions could result in a significant financial and/or reputational impact on the Group.

Health, Safety, Security and Environment
Health, Safely, Security and Environmental issues are of paramount importance within the Group. The Group's operations are subject to an increasingly stringent range of environmental and health and safety laws, regulations and standards in each of the jurisdictions in which the Group operates and/or has interests. A breach of any such law or regulation could result in the imposition of material sanctions on the Group and could have a material adverse effect on the Group's business.

Financial Performance
DAA's revenue is sensitive to economic conditions in the markets in which it operates. A key factor affecting the Group's financial performance is the number of passengers and the number of aircraft movements at its airports. Reduced consumer demand and the impact of further economic austerity measures could negatively impact passenger numbers and revenues, commercial and retail revenues and the overall level of revenue generated.

The Group is also exposed to cost increases arising from the nature of its operating cost base. Notwithstanding that the Group has implemented significant cost reductions in recent years, the fixed and semi-fixed nature of its operating costs exposes it to the risk of higher unit and per passenger costs in an environment where revenues are flat or declining.

Pensions
The majority of the Group's employees are members of the multi-employer Irish Airlines (General Employees) Superannuation Scheme ("the IAS Scheme"). A substantial funding shortfall in the IAS Scheme and the related potential reduction in pension benefits for employees represent a significant employee relations issue for the Company. There is therefore a risk that the Group could become involved in industrial disputes with its employees. If the Group were required, for any reason, to vary its contributions to the IAS Scheme or any other scheme or if the Group were to otherwise agree to vary such contributions, this could materially increase the Group's pension funding obligations and/or could have a material adverse effect on the Group's prospects and/or financial condition.

Financial and Funding
The Group is exposed to certain financial and treasury-related risks, including fluctuating interest rates, liquidity and re-financing risks and foreign currency exposures. While the Group has adequate funding to meet forecast short and medium term funding requirements, any change to the Group's credit rating may affect the cost of funding, the borrowing capacity of, and financing terms and flexibility available to, the Group.

The Group undertakes financial transactions in the ordinary course of business with a number of counterparties and could suffer a financial loss if any of those counterparties were to fail or default in the performance of their respective obligations. Rating risks have had, and may continue to have, an adverse effect on DAA's financial profile.

Governance and Compliance
The Group is subject to a wide range of legislative and governance requirements, in Ireland and in other jurisdictions in which it operates, including but not limited to those set out in company law. Any breach of these requirements could result in serious financial loss or reputational damage to the Group.

Investments and Capacity
Airports are by nature capital intensive. There is a risk that investments made in respect of regulated activities are not appropriately remunerated through the economic regulatory system or that commercial investments at Irish airports and investments in new foreign businesses do not deliver required rates of return or cashflows. The risk of the delay in mobilising capacity infrastructure in a timely manner may result in the failure of the Group to meet unanticipated demand.

Operational Standards
The Group is obliged to meet various operational and quality standards, including but not limited to those standards set by the Irish Aviation Authority and the Commission for Aviation Regulation. Failure to meet any of these standards could result in a financial penalty being imposed on the Group.

The directors confirm that the Group's ongoing process for identifying, evaluating and managing the significant risks facing it is in accordance with the guidance in Internal Control: Guidance for Directors on the Combined Code (Turnbull). Investments in associated and joint venture companies are considered as part of the Group's ongoing management risk review process.

Communication with Shareholder
Through regular contact with relevant Government departments, the Board and management maintain an ongoing dialogue with the Company's shareholder on strategic issues including the proposed Restructuring of the Group provided for in the State Airports Act, 2004.

The Board has established procedures to ensure that Board members have an understanding of the views of the shareholder. This is achieved through briefings to directors from the Chairman who, with the Chief Executive, maintains regular dialogue with the Minister. The Minister is also invited to attend at a Board meeting annually.

Compliance Statement
The Group has been in compliance with the provisions of the UK Code and the Irish Annex relevant to it throughout the financial year under review and up to the date of this report other than as follows:

— The Minister, with the consent of the Minister for Public Expenditure and Reform, appoints the Chairman and seven other directors to the Board. The Minister also appoints four directors following a nomination and election process under the Worker Participation Acts. The Chief Executive is appointed by, and is an ex-officio member of, the Board. As a result, the Board is satisfied that the provisions of Sections B.2 and Sections B.7 of the UK Code and Section 2.1 of the Irish Annex in relation to appointments to the Board and director re-election do not apply.
— The Nomination & Remuneration Committee is chaired by the Chairman of the Board, as remuneration for directors, including the Chairman, is determined by the Minister with the consent of the Minister for Public Expenditure and Reform.
— Pending the appointment of a new Chairman and due to the expiration of the term of office of a number of directors during the year, the process of reviewing the directors' training and development needs was postponed and will be completed during 2012.
— Full disclosure is made in these financial statements relating to directors' emoluments and pension contributions in accordance with the requirements of the Irish Companies Acts, 1963 to 2009, and the Department of Finance. However, the disclosures do not extend to those contained in the UK Code.

Going Concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Accounting Records

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at the Company's premises at Dublin, Shannon and Cork airports.

Health and Safety

The wellbeing of the Group's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act 2005 imposes certain requirements on employers and all relevant companies within the Group take the necessary action to ensure compliance with the Act.

Subsidiary, Associated and Joint Venture Undertakings

The information required by Section 158 of the Companies Act, 1963 in relation to subsidiary, associated and joint venture undertakings is set out in Note 12.

Prompt Payments Act

Dublin Airport Authority plc's policy is to comply with the provisions of the European Communities (Late Payments in Commercial Transactions) Regulations 2002 and the Prompt Payment of Accounts Act 1997. The Group's standard terms of credit taken, unless otherwise specified in specific contractual arrangements, are 30 days. Appropriate internal financial controls are in place, including clearly defined roles and responsibilities and the regular review of payment practices. These procedures provide reasonable but not absolute assurance against material non-compliance with the regulations. As in previous years, substantially all payments were made within the appropriate credit period as required.

Electoral Act, 1997

The Group did not make any political donations during the year.

Post Balance Sheet Events

There have been no significant post balance sheet events which require adjustment to the financial statements or the inclusion of a note thereto.

Auditors

In accordance with Section 160(2) of the Companies Act, 1963, the auditor, KPMG, Chartered Accountants, have expressed their willingness to continue in office.

On behalf of the Board
Pádraig Ó Ríordáin, Chairman
Gerry Walsh, Director
23 March 2012

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law the directors have elected to prepare the Group and parent company financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by Chartered Accountants Ireland.

The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Acts, 1963 to 2009. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts, 1963 to 2009. The Directors have also elected to prepare a report on Corporate Governance which is included in the Directors' Report.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board
Pádraig Ó Ríordáin, Chairman
Gerry Walsh, Director
23 March 2012

Independent auditor's report to the member of Dublin Airport Authority plc

We have audited the Group and Company financial statements (the ''financial statements'') of Dublin Airport Authority plc for the year ended 31 December 2011 on pages 40 to 73 which comprise the Statement of Accounting Policies, Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Reconciliation of Movement in Shareholders' Funds, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to the member in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's member, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by Chartered Accountants Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 38.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts, 1963 to 2009. We also report to you whether, in our opinion: proper books of account have been kept by the Company; at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

The Code of Practice for the Governance of State Bodies requires that we review whether the statements regarding the system of internal financial control required by the Code on pages 31 to 36 reflect the Group's compliance with the relevant provisions of the Code and we report if they do not. We also review, at the request of the directors, whether the voluntary statement on page 36 reflects the Company's compliance with the nine provisions of the UK Corporate Governance Code and two provisions of the Irish Corporate Governance Annex specified for review by the auditor in the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, Board of Directors section, Chairman's Statement, Chief Executive's Review, Financial Review, Group Structure and Management section, Five-Year Summaries and General Business and Aeronautical Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

— the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Group's and Company's affairs as at 31 December 2011 and of the Group's profit for the year then ended;

— the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

Other Matters

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion, the information given in the Report of the Directors is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet on page 46 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2011 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

Eamonn Russell *for and on behalf of*
KPMG, Chartered Accountants, Statutory Audit Firm
1 Stokes Place, St Stephen's Green, Dublin 2
23 March 2012

Statement of accounting policies

for the year ended 31 December 2011

The financial statements have been prepared in accordance with the following accounting policies which have been applied consistently with the prior year.

Basis of Preparation

The financial statements are prepared in accordance with generally accepted accounting principles in Ireland under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board, as promulgated by Chartered Accountants Ireland.

The State Airports Act, 2004 sets out the necessary legislative basis for the Restructuring which is more fully described in the Report of the Directors. It is not possible for the directors to determine at this juncture the impact of the completion of the proposed Restructuring on the financial position of the Group and no account of any proposed new arrangements has been taken in these financial statements.

Basis of Consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings (subsidiaries) made up to 31 December 2011.

Joint venture undertakings (joint ventures) are those undertakings over which the Group exercises control jointly with one or more other parties. Associated undertakings (associates) are those undertakings in which the Group has a participating interest in the equity capital and over which it is able to exercise significant influence.

The Group includes its share of associates' and joint ventures' profits and losses and separately discloses its share of its joint ventures' turnover in the consolidated profit and loss account. For associates, the Group includes its share of net assets in the consolidated balance sheet. For joint ventures, the Group includes its share of gross assets and gross liabilities in the consolidated balance sheet.

The results of subsidiaries, associates and joint ventures acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Financial Assets

Investments in subsidiaries, joint ventures and associates are shown in the Company balance sheet as financial fixed assets and are valued at cost less provisions for impairment in value. Other financial fixed assets (excluding listed investments) are also carried in both the Company and the Group balance sheet on the same basis, with income from such assets being recognised on a receivable basis in the profit and loss account.

Listed investments are carried at the lower of cost and net realisable value.

Turnover

Turnover represents the fair value of goods and services, net of discounts, delivered to external customers in the accounting period excluding intra-Group sales and value added tax. For certain commercial activities, where the provision of a service is delivered over a time period, turnover is recognised proportionately to the time elapsed.

Foreign Currency

Transactions arising in foreign currencies are translated into euro at the rates of exchange ruling at the date of the transactions or at contracted rates. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the contracted rates or at year-end rates of exchange. The resulting profits or losses are dealt with in the profit for the year.

Where applicable, the Group's net investment in overseas subsidiaries, associates and joint ventures is translated at the rate ruling at the balance sheet date. The results of overseas subsidiaries, associates and joint ventures are, where applicable, included at the average rate of exchange. The resulting translation differences are taken to reserves and reflected in the statement of total recognised gains and losses.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and any impairment losses. Depreciation is calculated to write off the cost of tangible fixed assets, other than land and assets in the course of construction, on a straight-line basis over the estimated useful lives as follows:

Terminal complexes	10 – 50 years
Airfields	10 – 50 years
Plant and equipment	2 – 20 years
Other property	10 – 50 years

Assets in the course of construction are transferred to completed assets when substantially all the activities necessary to get the asset ready for use are complete.

Borrowing costs incurred up to the time that separately identifiable major capital projects are ready for service are capitalised as part of the cost of the assets. Where appropriate, cost also includes own labour costs of construction related architectural and engineering services and directly attributable overheads.

Where a tangible fixed asset is to be withdrawn from use, the depreciation charge for that asset is accelerated to reflect the asset's remaining useful life based on the period between the date of the decision to withdraw the asset and the forecast date when withdrawal will take place.

On an annual basis, the Group estimates the recoverable amount of its tangible fixed assets based on the higher of their net realisable values or their value in use, consisting of the present values of future cash flows expected to result from their use. For the purposes of this review, Dublin, Cork and Shannon airports combined are considered to form one income-generating unit. Where the recoverable amount is less than the carrying amount of the assets the Group recognises an impairment loss in the financial statements.

In estimating the present values of future cash flows, the discount rate used is the pre-tax discount rate that reflects the time value of money and the risk specific to the income generating unit.

The cash flows are taken from the Group's ten-year business plan. The main components of the business plan are:

— Earnings projections based on expected passenger numbers, revenues and costs
— Capital investment and working capital projections.

Added to these cash flows is a terminal value including an estimate of the full remuneration for all regulated assets, some of which has been deferred due to the regulatory profiling of future revenues.

The main assumptions that affect the estimation of the value in use are continuation of the current regulatory regime without material change, the passenger growth rate and the discount rate.

Intangible Assets and Goodwill

Purchased goodwill arising on an acquisition (representing the excess of the fair value of the consideration given over the fair value of the separate net assets acquired) is capitalised and amortised on a straight-line basis over its estimated useful life, the period during which benefits are expected to accrue.

Where control of a subsidiary undertaking is obtained in stages, in accordance with Financial Reporting Standard 2 (FRS 2) “Subsidiary Undertakings”, using the true and fair override, purchased goodwill is calculated as the sum of the goodwill arising on each purchase of shares, being the difference at the date of each purchase between the fair value of the consideration given and the fair value of the identifiable assets and liabilities attributable to the interest purchased. This represents a departure from Irish company law, under which goodwill is calculated as the difference between the total acquisition costs of the interests held and the fair value of the identifiable assets and liabilities on the date that the entity becomes a subsidiary undertaking.

Purchased goodwill is being amortised over a twenty year period, or where shorter, over the period of the concession agreement entered into in the acquired entity.

Where events or circumstances are present which indicate that the carrying amount of goodwill may not be recoverable, the Group estimates the recoverable amount based on the present value of future cashflows expected to result from the use of the asset and its eventual disposition. Where this amount is less than the carrying amount of the asset, the Group will recognise an impairment loss.

Negative goodwill arising on acquisitions of associate undertakings is included within financial assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered.

Other intangible assets are recorded at acquisition cost, being fair values at date of acquisition, less the amounts amortised to the profit and loss account. These intangible assets are amortised over their economic lives, being the terms of various concessions which currently range from three to eleven years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on invoice price on either an average basis or on a first-in first-out basis depending on the stock category. Net realisable value is calculated as estimated selling price less estimated selling costs.

Taxation

Corporation tax in respect of the Company and its subsidiary undertakings is provided at current rates and is calculated on the basis of their results for the year, adjusted for taxation purposes. The taxation charge in the profit and loss account includes taxation on the Group’s share of profits of associated and joint venture undertakings.

Full provision without discounting is made for all timing differences, other than those arising from unremitted earnings of certain overseas subsidiaries and associates, at the balance sheet date in accordance with Financial Reporting Standard 19 (FRS 19) “Deferred Tax”. Provision is made at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. No deferred tax has been recognised on the unremitted earnings of certain overseas subsidiaries and associates as no tax is expected to be payable on them and there is no contractual arrangement to pay dividends. Deferred tax assets are recognised to the extent that they are regarded as recoverable based on the likelihood of there being suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Pension and Other Post-Retirement Obligations

The Group operates or participates in contributory pension schemes, covering the majority of its employees. The schemes are administered by trustees and are independent of the Group.

For schemes accounted for as defined contribution schemes, contributions are accrued and recognised in operating profit in the period in which they are earned by the relevant employees.

For the schemes accounted for as defined benefit schemes:

— The difference between the market value of the schemes’ assets and actuarially assessed present value of the schemes’ liabilities, calculated using the projected unit credit method, is disclosed as an asset/liability on the balance sheet net of deferred tax (to the extent that it is recoverable).
— The amount charged to operating profit is the actuarially determined cost of pension benefits promised to employees earned during the year plus any benefit improvements granted to members during the year.
— The expected return on the pension schemes’ assets during the year and the increase in the schemes’ liabilities due to the unwinding of the discount during the year are shown in finance income/costs in the profit and loss account.
— Any differences between the expected return on assets and that actually achieved and any changes to the liabilities due to changes in assumptions or because actual experience during the year was different to that assumed, are recognised as actuarial gains and losses in the statement of total recognised gains and losses.

The Group has certain unfunded retirement benefit liabilities which are accounted for as defined benefit arrangements.

Operating Leases

Expenditure on operating leases is charged to the profit and loss account on a basis representative of the benefit derived from the asset, normally on a straight-line basis over the lease period.

Capital Grants

Capital grants are treated as deferred income and amortised over the expected lives of the related fixed assets.

Derivative Financial Instruments

The principal objective of using derivative financial instruments, including forward exchange contracts, forward rate agreements and interest rate swaps, is to hedge the Group's interest rate and currency exposures. Where these derivative financial instruments hedge an asset, liability or interest cost reflected in the financial statements, the cost of the hedging instrument is included in the carrying amount together with the income and expenses relating to the asset and liability. Where the derivative is a hedge of future cash flow, the gains and losses on the hedging instruments are not recognised until the hedged future transaction occurs.

Cash and Liquid Resources

Within the Group cash flow statement, cash is defined as cash, deposits repayable on demand and overdrafts. Other deposits with maturity or notice periods of over one working day, but less than one year, are classified as liquid resources.

Debt and Finance Costs

Debt is initially stated at the amount of the net proceeds after deduction of finance/issue costs. Finance and issue costs are charged to the profit and loss account over the term of the debt at a constant rate on the carrying amount.

Group profit and loss account

for the year ended 31 December 2011

		2011			2010
		Pre-exceptional	Exceptional	Total	Total
	Note	€000	€000	€000	€000
Turnover					
Group and share of joint ventures		**558,123**	**–**	**558,123**	558,784
Less: share of joint ventures' turnover		**(631)**	**–**	**(631)**	(631)
Group turnover – continuing operations	1	**557,492**	**–**	**557,492**	558,153
Operating costs					
Cost of goods for resale		**(122,254)**	**–**	**(122,254)**	(133,443)
Payroll and related costs	2	**(158,812)**	**–**	**(158,812)**	(155,884)
Materials and services		**(116,153)**	**–**	**(116,153)**	(122,070)
Depreciation, amortisation and impairment		**(102,569)**	**–**	**(102,569)**	(74,262)
		(499,788)	**–**	**(499,788)**	(485,659)
Group operating profit – continuing operations		**57,704**	**–**	**57,704**	72,494
Share of operating profit/(loss)					
Joint venture undertakings		**(5,613)**	**–**	**(5,613)**	(5,471)
Associated undertakings	3	**41,658**	**–**	**41,658**	24,378
Exceptional items					
Costs of cost recovery programme					
– continuing operations	4	**–**	**(5,691)**	**(5,691)**	–
Profit on sale of discontinued operations	4	**–**	**349**	**349**	435
Profit on disposal of investment in associates	4	**–**	**3,842**	**3,842**	–
Group profit before interest and taxation		**93,749**	**(1,500)**	**92,249**	91,836
Income from other financial assets		**313**	**–**	**313**	278
Interest receivable and similar income					
Group	5	**11,313**	**–**	**11,313**	19,434
Joint venture undertakings	5	**4,587**	**–**	**4,587**	–
Associated undertakings		**–**	**–**	**–**	7
Profit on repurchase of loan notes	4	**–**	**5,038**	**5,038**	–
Interest payable and similar charges					
Group	6	**(63,099)**	**–**	**(63,099)**	(48,779)
Joint venture undertakings	6	**(723)**	**–**	**(723)**	(1,691)
Associated undertakings	6	**(8,641)**	**–**	**(8,641)**	(9,052)
Group profit on ordinary activities before taxation	7	**37,499**	**3,538**	**41,037**	52,033
Tax on profit on ordinary activities	8	**(7,505)**	**668**	**(6,837)**	(15,108)
Group profit on ordinary activities after taxation		**29,994**	**4,206**	**34,200**	36,925
Minority interest	31	**(4,007)**	**–**	**(4,007)**	(3,815)
Group profit for the financial year	23	**25,987**	**4,206**	**30,193**	33,110

On behalf of the Board

Pádraig Ó Ríordáin, Chairman

Gerry Walsh, Director

23 March 2012

Group statement of total recognised gains and losses

for the year ended 31 December 2011

	Note	2011 €000	2010 €000
Group profit for the financial year		**30,193**	33,110
Exchange differences on translation of overseas investments (arising on net assets)			
Subsidiary undertakings	23	**1,214**	1,841
Associated undertakings	23	**(572)**	1,234
Actuarial gain/(loss) recognised in pension schemes			
Group	22	**1,217**	(738)
Deferred tax charge thereon			
Group	22	**(201)**	(41)
Total recognised gains and losses for the year		**31,851**	35,406

Reconciliation of movement in shareholders' funds

for the year ended 31 December 2011

	2011 €000	2010 €000
At 1 January	**1,012,123**	976,717
Total recognised gains and losses for the year	**31,851**	35,406
At 31 December	**1,043,974**	1,012,123

Group balance sheet

at 31 December 2011

	Note	€000	2011 €000	€000	2010 €000
Fixed assets					
Tangible assets	10		**1,943,541**		1,960,017
Intangible assets	11		**8,272**		9,471
			1,951,813		1,969,488
Financial assets					
Investments in joint venture undertakings					
Share of gross assets		**8,021**		17,068	
Share of gross liabilities		**(26,843)**		(40,440)	
Loan to joint venture undertaking		**4,882**		4,882	
Total of investments in and liabilities relating to joint venture undertakings			**(13,940)**		(18,490)
Investments in associated undertakings			**85,181**		86,185
Other financial assets			**11,237**		11,315
Total financial assets	12		**82,478**		79,010
Total fixed assets			**2,034,291**		2,048,498
Current assets					
Stocks	13	**18,891**		23,195	
Debtors	14	**57,568**		63,011	
Cash at bank and in hand	27	**453,040**		476,861	
		529,499		563,067	
Creditors: Amounts falling due within one year	15	**(218,117)**		(492,905)	
Net current assets			**311,382**		70,162
Total assets less current liabilities			**2,345,673**		2,118,660
Creditors: Amounts falling due after more than one year	16		**(1,185,301)**		(990,412)
Capital grants	18		**(13,853)**		(14,844)
Provisions for liabilities	19		**(71,808)**		(69,247)
Net assets excluding net pension liability			**1,074,711**		1,044,157
Net pension liability	22		**(18,773)**		(19,794)
Net assets			**1,055,938**		1,024,363
Capital and reserves					
Called up share capital	21		**186,337**		186,337
Profit and loss account	23		**855,748**		824,539
Other reserves	23		**1,889**		1,247
Shareholders' funds			**1,043,974**		1,012,123
Minority interest	31		**11,964**		12,240
			1,055,938		1,024,363

On behalf of the Board

Pádraig Ó Ríordáin, Chairman

Gerry Walsh, Director

23 March 2012

Company balance sheet

at 31 December 2011

	Note	2011 €000	2010 €000
Fixed assets			
Tangible assets	10	**1,929,525**	1,948,264
Financial assets	12	**31,319**	32,682
		1,960,844	1,980,946
Current assets			
Stocks	13	**10,774**	9,375
Debtors	14	**48,400**	51,983
Cash at bank and in hand		**434,105**	462,591
		493,279	523,949
Creditors: Amounts falling due within one year	15	**(340,141)**	(577,996)
Net current assets/(liabilities)		**153,138**	(54,047)
Total assets less current liabilities		**2,113,982**	1,926,899
Creditors: Amounts falling due after more than one year	16	**(1,193,740)**	(994,188)
Capital grants	18	**(13,853)**	(14,844)
Provisions for liabilities	19	**(67,165)**	(66,553)
Net assets excluding net pension liability		**839,224**	851,314
Net pension liability	22	**(18,005)**	(19,274)
Net assets		**821,219**	832,040
Capital and reserves			
Called up share capital	21	**186,337**	186,337
Profit and loss account	23	**634,882**	645,703
Shareholders' funds		**821,219**	832,040

On behalf of the Board

Pádraig Ó Ríordáin, Chairman

Gerry Walsh, Director

23 March 2012

Group cash flow statement

for the year ended 31 December 2011

	Note	2011 €000	2010 €000
Cash inflow from operating activities	24	**164,898**	147,284
Dividends received from associated undertakings	12	**22,892**	17,097
Returns on investments and servicing of finance	25	**(62,884)**	(48,090)
Payments in respect of cost recovery and restructuring programmes	19	**(11,593)**	(30,165)
Payments in respect of pension provision	19	**(190)**	(214)
Taxation (paid)/refund		**(3,021)**	2,056
		110,102	87,968
Capital expenditure	25	**(89,930)**	(227,870)
Acquisitions and disposals	25	**9,300**	(6,613)
Dividends paid to minority interests	25	**(4,282)**	(1,631)
Cash inflow/(outflow) before management of liquid resources and financing		**25,190**	(148,146)
Management of liquid resources			
Net cash transferred from liquid resources	27	**20,958**	147,739
Financing	25	**(48,915)**	(13,377)
Decrease in cash in year	26	**(2,767)**	(13,784)

Notes on and forming part of the financial statements

for the year ended 31 December 2011

1. Turnover

	Group 2011 €000	2010 €000
Ireland		
Aeronautical revenue	**225,099**	205,012
Commercial activities	**202,011**	213,029
Total Ireland	**427,110**	418,041
Overseas – commercial activities	**130,382**	140,112
	557,492	558,153

A segmental analysis of results and net assets is not provided, as disclosure of such information would, in the opinion of the directors, be seriously prejudicial to the interests of the Group.

2. Payroll and related costs

	Group 2011 €000	2010 €000
Wages and salaries	**139,022**	138,838
Social welfare costs	**11,995**	12,623
Pension costs (Note 22)	**7,352**	8,010
Other staff costs	**2,377**	665
	160,746	160,136
Staff costs capitalised into fixed assets	**(1,934)**	(4,252)
Payroll and related costs (pre-exceptional)	**158,812**	155,884
Exceptional cost recovery programme (Notes 4 and 19)	**5,691**	2,815
Exceptional pension credit (Notes 4 and 22)	**–**	(2,815)
Net staff costs charged to the profit and loss account	**164,503**	155,884

	2011	2010
Average employee numbers (full-time equivalents) were as follows:		
Airports	**2,513**	2,383
International activities	**519**	588
	3,032	2,971

3. Share of operating profits of associated undertakings

This relates to the Group's share of profits before interest and taxation for the year in its associated undertakings (Note 12) as defined in the Statement of Accounting Policies. Management fees and other direct income from these undertakings are included in turnover of the Group.

4. Exceptional items

a. Costs of Cost Recovery Programme ("CRP")

In 2009, in response to significant challenges in the business environment, a CRP was developed following consultation with staff and staff representatives, to address fundamental changes to the cost base. The CRP included a voluntary severance scheme, reductions in pay, further pay pauses and changes in work practices.

The Group has continued to restructure under the CRP. €5.7 million has been charged to exceptional items in 2011 (2010: €2.8 million). The impact on taxation was to reduce the tax charge by €0.7 million in 2011. The prior year also included a curtailment gain of €2.8 million which was credited to exceptional items in 2010 as it arose directly from the CRP, the cost of which was charged to exceptional items.

b. Profit on sale of discontinued operations

In 2011, €0.3 million (2010: €0.4 million) was released to the profit and loss account arising from the revisions of cost estimates relating to the disposal of a former business of the Group. The impact on taxation was to increase the tax charge by €0.04 million in 2011 (2010: €0.1 million).

c. Profit on disposal of investment in associates

During the year the Group disposed of its equity investments in certain overseas retail interests. The aggregate gain on the disposals was €3.8 million after accounting for legal fees and other associated disposal costs. In addition to this gain, included in the share of operating profits of associated undertakings per the profit and loss account is an amount of €6.7 million in relation to the profits of these associated undertakings which were previously provided against but are now recognised based on the cash proceeds received. There was no taxation payable.

d. Profit on repurchase of loan notes

In 2011, the Group repurchased and cancelled €50.35 million of the €600 million loan notes due 2018 (see Note 17), following which the amount of the principal outstanding on the loan notes due 2018 is €549.65 million. The profit arising on the repurchase of these loan notes was €5.0 million. There was no taxation payable.

5. Interest receivable and similar income

		Group
	2011	2010
	€000	€000
Bank interest income	**10,658**	18,513
Other interest income	**–**	424
Other finance income	**655**	497
Total interest receivable – Group	**11,313**	19,434

Joint venture undertakings

In addition to the above, a gain of €4.6 million was recognised following the restructuring of a financial liability, which was non-recourse to the Group, held by a joint venture undertaking which became a subsidiary undertaking during the year (see Note 12).

6. Interest payable and similar charges

	Group 2011 €000	Group 2010 €000
Interest payable on loans wholly repayable by instalments:		
— Within five years	**391**	261
— After five years	**22,331**	18,249
Interest on loan notes	**38,673**	54,898
Amortisation of issue costs/other funding costs	**562**	726
Other interest payable	**5**	6
Other finance costs	**1,650**	1,738
	63,612	75,878
Interest capitalised (Note 10)	**(513)**	(27,099)
Total interest payable – Group	**63,099**	48,779
Joint venture undertakings:		
Interest on loans repayable by instalments within five years	**723**	1,691
Total share of interest payable – joint venture undertakings	**723**	1,691
Associated undertakings:		
Interest payable on loans repayable by instalments within five years	**3,187**	3,148
Interest payable on loans repayable by instalments after five years	**5,454**	5,904
Total share of interest payable – associated undertakings	**8,641**	9,052

7. Statutory and other information

Group profit on ordinary activities before tax is stated after charging/(crediting):

	2011 €000	2010 €000
Auditors' remuneration:		
KPMG Ireland		
— audit of Group and Company accounts	**253**	253
— other assurance services	**34**	70
— tax advisory services	**62**	158
— other non-audit services	**25**	40
	374	521
Other KPMG firms		
— other assurance services	**74**	69
— tax advisory services	**36**	25
— other non-audit services	**45**	25
	155	119
	529	640
Operating lease rentals:		
— Equipment	**1,751**	1,647
— Buildings	**1,484**	1,629
Depreciation	**101,937**	74,315
Loss on retirements and disposals of tangible fixed assets	**312**	438
Amortisation of capital grants	**(991)**	(1,019)
Amortisation of intangible assets and goodwill/negative goodwill:		
— Group (Note 11)	**1,217**	1,302
— Associated undertakings	**(1,250)**	(318)
	(33)	984

7. Statutory and other information (continued)

Amounts paid to directors disclosed in accordance with the Code of Practice for the Governance of State Bodies and the Companies Acts, 1963 to 2009, are provided below.

	2011 €000	2010 €000
Fees		
— David Dilger (Former Chairman)	**13.1**	31.5
— Peter Barrett	**14.4**	15.8
— Declan Collier	**15.8**	15.8
— Gerard Collins	**15.8**	15.8
— Bill Cullen	**13.4**	15.8
— Thomas Guilfoyle	**15.8**	15.8
— Sir Michael Hodgkinson	**13.4**	15.8
— Michael Lenane	**15.8**	15.8
— Mary McCabe	**15.8**	15.8
— Barry Nevin	**15.8**	15.8
— Brian O'Connell	**–**	–
— Marie O'Connor	**13.4**	15.8
— Gerry Walsh	**–**	–
For services as director	**162.5**	189.5
Other emoluments (including pension contributions)	**681.2**	840.1
	843.7	1,029.6

Director's fees are determined by the Minister for Transport, Tourism and Sport, with the consent of the Minister for Public Expenditure and Reform, and are currently payable at the annual rate of €31,500 for Chairman and €15,750 for Directors.

In accordance with their warrants of appointment, neither Mr B O'Connell nor Mr G Walsh received a separate fee in respect of their appointments to the Board of the Company during 2011. Both Mr O'Connell and Mr Walsh received fees of €21,600 (2010: €21,600) and €21,600 (2010: €21,600) respectively from Shannon Airport Authority plc ("SAA") and Cork Airport Authority ("CAA") in respect of their appointments as Chairmen of those entities. These fees, and other operating costs of SAA and CAA, are funded out of revenues received by those entities from the Company.

Remuneration of directors, elected pursuant to the Worker Participation (State Enterprises) Acts 1977 to 2001, arising from their normal contracts of employment, for the portion of the year for which they were directors, is included above in other emoluments.

Expenses paid to members of the Board during the year in respect of services as director, disclosed in accordance with the Code of Practice for the Governance of State Bodies, were €16,538 (2010: €5,346). These amounts primarily related to travel, subsistence and reimbursed expenses.

The remuneration of the Chief Executive for the applicable period, disclosed in accordance with the applicable government department guidelines relating to the remuneration arrangements of chief executives of commercial State bodies, is provided below.

	2011 €000	2010 €000
Director's fee	**15.8**	15.8
Salary (see below)	**303.2**	308.5
Performance-related remuneration		
Awards in respect of 2010 (see below)	**(77.1)**	77.1
Deferred amounts in respect of 2008/2009	**17.2**	29.0
Pension contributions and other taxable benefits	**186.3**	182.1
	445.4	612.5

Pursuant to his contract of employment, the salary of the Chief Executive was €350,556. In each of the past three years, the Chief Executive had voluntarily taken a progressive series of reductions in his annual basic pay, resulting in his annualised rate of basic pay at 31 December 2011 being reduced by 15%. In addition to this, during 2011, the Chief Executive decided to forgo performance-related pay awarded, under his contract of employment, to him by the Company in respect of 2010.

8. Tax on profit on ordinary activities

	2011 €000	2010 €000
Current tax:		
Corporation tax – Ireland	**(2,286)**	752
Overseas corporation tax	**3,500**	3,620
Adjustment in respect of prior periods	**(608)**	(4,910)
Tax attributable to Group	**606**	(538)
Share of overseas tax of associated undertakings	**5,595**	4,751
Current tax charge	**6,201**	4,213
Deferred tax:		
Origination/reversal of timing differences		
Attributable to Group (Note 19)	**1,075**	6,498
Adjustment in respect of prior years (Note 19)	**(419)**	4,361
Timing differences relating to FRS 17 pension liabilities (Note 22)	**(20)**	36
Deferred tax charge	**636**	10,895
Tax on profit on ordinary activities	**6,837**	15,108

A further deferred tax charge of €0.20 million (2010: €0.04 million) in relation to timing differences relating to FRS 17 liabilities is included in the statement of total recognised gains and losses.

The Group's Irish operations are subject to differing rates of corporation taxation, according to the nature of activities. During 2011 and 2010, these rates varied from 12.5% to 25% while the standard rate of corporation taxation was 12.5%.

The current tax charge for the period is lower than that based on the standard rate of tax in the Republic of Ireland. The differences are set out in the tax reconciliation below:

	2011 €000	2010 €000
Profit on ordinary activities before taxation	**41,037**	52,033
Profit on ordinary activities at standard corporation tax rate in Republic of Ireland of 12.5% (2010: 12.5%)	**5,130**	6,504
Effects of:		
Differences between capital allowances for period and depreciation	**(6,892)**	(13,984)
Expenses (deductible)/not deductible for tax purposes (timing differences)	**(1,835)**	1,850
Expenses not deductible for tax purposes (permanent differences)	**1,447**	3,159
Profits of foreign undertakings taxable at higher rates	**4,733**	3,849
Adjustment in respect of prior periods	**(608)**	(4,910)
Unutilised losses carried forward	**8,338**	7,964
Non taxable profits on disposals and loan note repurchase	**(3,941)**	–
Other	**(171)**	(219)
Current tax charge for the year	**6,201**	4,213

9. Profit for the financial year

A separate Company profit and loss account is not presented, as provided for under the Companies Act 1963, Section 148(8). A loss for the financial year of €12.2 million (2010: profit of €15.4 million) has been dealt with in the financial statements of the Company.

10. Tangible fixed assets

Group	Terminal complexes €000	Lands and airfields €000	Plant and equipment €000	Other property €000	Assets in the course of construction €000	Total €000
Cost						
At 1 January 2011	962,582	375,890	766,958	357,845	69,286	2,532,561
Additions	78	9,800	19,813	12,863	40,074	82,628
Acquisition of subsidiary	–	3,200	–	–	–	3,200
Transfer to completed assets	13,039	12,814	18,336	22,562	(66,751)	–
Disposals	–	–	(348)	–	–	(348)
Retirements	(3,363)	(301)	(15,490)	–	–	(19,154)
Translation reserves	–	–	129	–	–	129
At 31 December 2011	**972,336**	**401,403**	**789,398**	**393,270**	**42,609**	**2,599,016**
Depreciation						
At 1 January 2011	156,237	98,606	218,680	99,021	–	572,544
Charge for the year	24,979	12,365	53,770	10,823	–	101,937
Acquisition of subsidiary	–	–	–	–	–	–
Disposals	–	–	(106)	–	–	(106)
Retirements	(3,351)	(301)	(15,334)	–	–	(18,986)
Translation reserves	–	–	86	–	–	86
At 31 December 2011	**177,865**	**110,670**	**257,096**	**109,844**	**–**	**655,475**
Net book value						
At 31 December 2011	**794,471**	**290,733**	**532,302**	**283,426**	**42,609**	**1,943,541**
At 31 December 2010	806,345	277,284	548,278	258,824	69,286	1,960,017

Company	Terminal complexes €000	Lands and airfields €000	Plant and equipment €000	Other property €000	Assets in the course of construction €000	Total €000
Cost						
At 1 January 2011	962,582	369,004	754,696	351,819	69,286	2,507,387
Additions	78	9,800	18,256	14,613	40,074	82,821
Transfer to completed assets	13,039	12,814	18,336	22,562	(66,751)	–
Disposals	–	–	(348)	–	–	(348)
Retirements	(3,363)	(301)	(15,241)	(537)	–	(19,442)
At 31 December 2011	**972,336**	**391,317**	**775,699**	**388,457**	**42,609**	**2,570,418**
Depreciation						
At 1 January 2011	156,237	98,606	209,490	94,790	–	559,123
Charge for the year	24,979	12,365	52,777	10,774	–	100,895
Disposals	–	–	(106)	–	–	(106)
Retirements	(3,351)	(301)	(15,084)	(283)	–	(19,019)
At 31 December 2011	**177,865**	**110,670**	**247,077**	**105,281**	**–**	**640,893**
Net book value						
At 31 December 2011	**794,471**	**280,647**	**528,622**	**283,176**	**42,609**	**1,929,525**
At 31 December 2010	806,345	270,398	545,206	257,029	69,286	1,948,264

The accounting policies used by the Group and Company for tangible fixed assets, including depreciation, cost capitalisation and impairment reviews, are set out on pages 40 to 41.

Lands and airfields includes land at a cost of €40.0 million (2010: €29.0 million)(Group) and €29.9 million (2010: €22.1 million)(Company). Fixed asset additions include internal architectural and engineering costs of €1.9 million (2010: €4.3 million)(Group and Company). Cost of fixed assets includes cumulative interest capitalised of €67.7 million (2010: €67.2 million)(Group and Company). Interest of €0.5 million (2010: €27.1 million)(Group and Company) was capitalised during the year at an average rate of 5.8% (2010: 5.9%) per annum.

11. Intangible assets

Group	Goodwill	Concession rights	Total
	€000	€000	€000
Cost			
At 1 January 2011	10,373	17,743	**28,116**
Exchange movement	–	244	**244**
At 31 December 2011	**10,373**	**17,987**	**28,360**
Amortisation			
At 1 January 2011	2,839	15,806	**18,645**
Charge for the year	1,037	180	**1,217**
Exchange movement	–	226	**226**
At 31 December 2011	**3,876**	**16,212**	**20,088**
Net book value			
At 31 December 2011	**6,497**	**1,775**	**8,272**
At 31 December 2010	7,534	1,937	9,471

The goodwill arose in 2008 on the acquisition of Aer Rianta International (Middle East) WLL ("ARIME") and is being amortised over ten years which is the average term of the concession agreements held by ARIME.

12. Fixed assets – financial

Group	1 January 2011 €000	Additions / other increases during the year €000	Disposals / other movements during the year €000	31 December 2011 €000
Joint venture undertakings				
Share of gross assets	17,068	–	(9,047)[a]	**8,021**
Share of gross liabilities	(40,440)	–	13,597 [a]	**(26,843)**
Loan to joint venture undertaking	4,882	–	–	**4,882**
	(18,490)	**–**	**4,550**	**(13,940)**
Associated undertakings				
Equity interest at cost	71,469	–	(1,867)	**69,602**
Negative goodwill	(1,250)	–	1,250	**–**
Loan to associated undertaking	563	–	–	**563**
Share of post acquisition profits	125,754	31,139	(8,062)	**148,831**
Dividends received	(115,743)	–	(22,892)	**(138,635)**
Translation reserve	5,392	–	(572)	**4,820**
	86,185	**31,139**	**(32,143)**	**85,181**
Other financial assets				
Listed investments at cost	4,713	–	–	**4,713** [b]
Other unlisted investments	6,602	–	(78)	**6,524** [c]
	11,315	–	**(78)**	**11,237**
Total financial assets	**79,010**	**31,139**	**(27,671)**	**82,478**

Company	1 January 2011 €000	Additions / other increases during the year €000	Disposals / other movements during the year €000	31 December 2011 €000
Ordinary shares in subsidiary undertakings at cost	22,614	–	–	**22,614**
Capital contributions to subsidiary undertakings	4,073	–	(813)[d]	**3,260**
Loan to subsidiary undertaking	550	–	(550)	**–**
Loan to associated undertaking	563	–	–	**563**
Loan to joint venture undertaking	4,882	–	–	**4,882**
	32,682	**–**	**(1,363)**	**31,319**

a. The net movement in joint venture undertakings of €4.6 million primarily reflects one undertaking changing from a joint venture to a subsidiary (see Note 5). The negative joint venture balance reflects the current value of joint venture assets and related liabilities, principally debt.

b. Listed investments are held by a subsidiary undertaking and are stated at the lower of cost and net realisable value. The market value of these listed investments at 31 December 2011 was €5.0 million.

c. A subsidiary undertaking holds an unlisted investment in loan stock of €6.5 million. The loan stock accrues interest at a rate of six-month EURIBOR plus 6% per annum.

d. An amortisation charge of €0.8 million was applied to the investment in a subsidiary undertaking by the Company.

In the opinion of the directors, the net realisable value of the investments is not less than the book amounts shown above. The basis on which financial assets are stated is set out in the Statement of Accounting Policies.

12. Fixed assets – financial (continued)

The principal operating subsidiary, associated and joint venture undertakings of the Group, all of which are included in the Group financial statements, together with the percentage beneficial holding of ordinary shares, are as set out below:

Undertaking	Registered office	Nature of business	%
Subsidiary undertakings			
Aer Rianta International cpt	Shannon, Ireland	International management services and airport investor	100
Aer Rianta International (North America) Inc.	Montreal, Canada	Duty-free shopping and related activities	100
Aer Rianta International Kosovo LLC	Pristina, Kosovo	Duty-free shopping and related activities	100
ASC Airport Services Consolidated Limited	Dublin, Ireland	Provision of services to DAA	100
Aer Rianta International Duty Free LLC	Moscow, Russia	Duty-free shopping and related activities	100
DAA Airport Services Limited	Dublin, Ireland	Secondment of employees to DAA	100
DAA Finance plc	Dublin, Ireland	Financing company	100
Derryquin Hotels Limited	Dublin, Ireland	Former hotel operator	100
Gatland Property Limited	Dublin, Ireland	Property development	100
Kievrianta LLC	Kiev, Ukraine	Duty-free shopping and related activities	99
Aer Rianta International (Middle East) WLL	Manama, Bahrain	Duty-free shopping and related activities	61.25
Associated undertakings			
Caribbean ARI Inc.[1]	Bridgetown, Barbados	Duty-free shopping and related activities	50
Brooklyn Properties Limited	Cork, Ireland	Cork Airport Business Park development	37.5
CTC – ARI Airports Limited	Nicosia, Cyprus	Duty-free shopping and related activities	30.63
CTC – ARI (F&B) Limited	Nicosia, Cyprus	Duty-free shopping and related activities	30.63
Oman Sales & Services LLC	Muscat, Oman	Duty-free shopping and related activities	30.63
Delhi Duty Free Services Private Limited[2]	Delhi, India	Duty-free shopping and related activities	25.55
Flughafen Düsseldorf GmbH	Düsseldorf, Germany	Airport operator	20
Phoenicia Aer Rianta Co. SAL	Beirut, Lebanon	Duty-free shopping and related activities	9.99
Joint venture undertakings			
Turckton Developments Limited	Dublin, Ireland	Business park development	50

1. In the opinion of the directors the investment should be treated as an associated undertaking as defined under Financial Reporting Standard 9 (FRS 9) "Associates and Joint Ventures" on the grounds that the Group exercises significant influence rather than dominant influence or joint control over this entity.
2. ARI International cpt holds 33.1% of the shares of Delhi Duty Free Services Private Limited, with 7.55% of these shares held in trust for a third party.

All financial statements of subsidiary, associated and joint venture undertakings are coterminous with the year-end of the Group. Transactions between the Group and its associated and joint venture undertakings are detailed in Note 30.

During 2011, the Group acquired the remaining 50% shareholding in a joint venture undertaking, Gatland Property Limited, which became a 100% subsidiary from the date of the transaction. Total proceeds paid by the Group were €3.2 million representing the fair value of the land acquired (see Note 10).

13. Stocks

	Group		Company	
	2011	2010	**2011**	2010
	€000	€000	**€000**	€000
Goods for resale	**15,743**	20,842	**7,626**	7,023
Maintenance	**3,148**	2,353	**3,148**	2,352
	18,891	23,195	**10,774**	9,375

The replacement value of stocks is not materially different from the carrying amounts.

14. Debtors

	Group		Company	
	2011	2010	**2011**	2010
	€000	€000	**€000**	€000
Trade debtors	**38,441**	38,126	**27,138**	25,737
Prepayments and accrued income	**1,970**	1,180	**408**	366
Due from subsidiary undertakings	**–**	–	**11,799**	11,875
Due from associated undertakings	**7,978**	8,788	**–**	–
Corporation tax	**431**	360	**360**	360
Other debtors	**8,748**	14,557	**8,695**	13,645
	57,568	63,011	**48,400**	51,983

Debtors of €6.7 million (2010: €6.7 million) in the Group and debtors of €12.2 million (2010: €15.6 million) in the Company, fall due after more than one year.

15. Creditors: amounts falling due within one year

	Group		Company	
	2011	2010	**2011**	2010
	€000	€000	**€000**	€000
Loan notes (Note 17)	**–**	249,976	**–**	–
Bank loans (Note 17)	**14,487**	13,916	**6,749**	6,565
Trade creditors	**23,489**	26,115	**6,666**	11,314
Due to subsidiary undertakings	**–**	–	**167,394**	387,251
Due to associated undertakings	**589**	1,291	**–**	–
Other creditors	**9,926**	8,824	**10,272**	7,953
Accruals and deferred income	**122,336**	116,339	**101,770**	88,469
Capital accruals	**47,290**	76,444	**47,290**	76,444
	218,117	492,905	**340,141**	577,996

Tax included in other creditors:				
Corporation tax	**–**	2,422	**–**	2,216
PAYE	**3,089**	1,695	**3,046**	1,555
PRSI	**1,858**	1,556	**1,833**	1,556
VAT	**694**	500	**1,166**	899
Other taxes	**661**	665	**635**	665

16. Creditors: amounts falling due after more than one year

	Group		Company	
	2011	2010	**2011**	2010
	€000	€000	**€000**	€000
Bank loans (Note 17)	**626,796**	381,282	**288,558**	295,308
Loan notes (Note 17)	**546,560**	596,224	**–**	–
Other creditors	**11,945**	12,906	**11,945**	12,906
Due to subsidiary undertakings	**–**	–	**893,237**	685,974
	1,185,301	990,412	**1,193,740**	994,188

Other creditors of €7.3 million (2010: €8.2 million), Group and Company, fall due after more than five years.

17. Financial liabilities

	Group		Company	
	2011	2010	**2011**	2010
	€000	€000	**€000**	€000
Repayable by instalments:				
Repayable within one year	**14,487**	13,916	**6,749**	6,565
Repayable within one to two years	**23,042**	14,487	**14,903**	6,749
Repayable within two to five years	**113,530**	72,165	**48,245**	46,452
Repayable after more than five years	**490,224**	294,630	**225,410**	242,107
	641,283	395,198	**295,307**	301,873
Repayable other than by instalments:				
Repayable within one year	**–**	249,976	**–**	–
Repayable after more than five years	**546,560**	596,224	**–**	–
	1,187,843	1,241,398	**295,307**	301,873
Split as follows:				
Bank loans	**641,283**	395,198	**295,307**	301,873
Loan notes	**546,560**	846,200	**–**	–
	1,187,843	1,241,398	**295,307**	301,873
Included in creditors falling due within one year	**14,487**	263,892	**6,749**	6,565
Included in creditors falling due after more than one year	**1,173,356**	977,506	**288,558**	295,308

The loan notes comprise €549.65 million (2010: €600.0 million) of loan notes repayable 2018 (less amortised amounts). These are held through the Company's subsidiary, DAA Finance plc. These loan notes are listed on the Official List of the Irish Stock Exchange. The loan notes are guaranteed by the Company. DAA Finance plc also has bank loans of €346.0 million (2010: €93.3 million) which are guaranteed by the Company. Interest rates and risk profile of financial liabilities are further analysed in Note 28.

The Company's bank loans at 31 December 2011 of €295.3 million (2010: €301.9 million) are unsecured and are repayable by instalments.

Borrowing facilities

The Group has various undrawn committed borrowing facilities. At 31 December 2011, the Group had €300.0 million undrawn committed facilities available in respect of which all conditions precedent had been met, €150.0 million expire in one year or less and €150.0 million expire in more than two years but not more than five years.

18. Capital grants

	Group		Company	
	2011	2010	**2011**	2010
	€000	€000	**€000**	€000
At 1 January	**14,844**	15,863	**14,844**	15,863
Amortised to profit and loss account	**(991)**	(1,019)	**(991)**	(1,019)
At 31 December	**13,853**	14,844	**13,853**	14,844

19. Provisions for liabilities

	Pension costs (Note 22)	Deferred tax (Note 20)	Cost recovery programme/ restructuring (Note 4)	Total
	€000	€000	€000	€000
Group				
At 1 January	35,426	14,075	19,746	69,247
Charge for the year	–	1,075	5,691	6,766
Adjustment in respect of prior years	–	(419)	–	(419)
Utilised during the year	(190)	–	(11,593)	(11,783)
Reclassification of accruals	–	–	7,997	7,997
At 31 December	**35,236**	**14,731**	**21,841**	**71,808**
Company				
At 1 January	35,426	12,405	18,722	66,553
Charge for the year	–	1,103	891	1,994
Adjustment in respect of prior years	–	(419)	–	(419)
Utilised during the year	(190)	–	(10,086)	(10,276)
Transfers from group companies	–	–	1,316	1,316
Reclassification of accruals	–	–	7,997	7,997
At 31 December	**35,236**	**13,089**	**18,840**	**67,165**

20. Deferred tax liability

	Group		Company	
	2011	2010	**2011**	2010
	€000	€000	**€000**	€000
Liability at 1 January	**14,075**	3,216	**12,405**	2,299
Charge for the year	**1,075**	6,498	**1,103**	5,745
Adjustment in respect of prior years	**(419)**	4,361	**(419)**	4,361
Liability at 31 December	**14,731**	14,075	**13,089**	12,405
Deferred tax				
Comprising:				
Timing differences on capital allowances	**34,961**	24,416	**33,319**	22,746
Amounts not deductible for corporation tax	**(2,327)**	(2,377)	**(2,327)**	(2,377)
Unutilised losses carried forward	**(17,903)**	(7,964)	**(17,903)**	(7,964)
Deferred tax liability	**14,731**	14,075	**13,089**	12,405

The deferred tax asset related to the pension liability is not included above and is disclosed separately in Note 22.

21. Called up share capital

	Group and Company	
	2011	2010
	€000	€000
Authorised:		
317,500,000 ordinary shares of €1 each	**317,500**	317,500
Allotted, called up and fully paid:		
186,336,813 ordinary shares of €1 each	**186,337**	186,337

All the ordinary shares are beneficially held by the Minister for Public Expenditure and Reform of the Irish Government.

22. Pensions

The Group operates, or participates in, pension schemes in respect of the parent company and its principal subsidiary undertakings covering the majority of its employees. Pension scheme assets are held in separate, Revenue approved, trustee administered funds.

The Group accounts for pensions in accordance with Financial Reporting Standard 17 (FRS 17) "Retirement Benefits".

Dublin Airport Authority plc

Irish Airlines (General Employees) Superannuation Scheme

The majority of the Group's employees are those of the parent company, Dublin Airport Authority plc, whose permanent employees over the age of twenty are members of the multi-employer Irish Airlines (General Employees) Superannuation Scheme ("the IAS Scheme" or "the IAS"). The Company's current and past employees comprise less than one third of the membership of the IAS Scheme as at the last valuation date. Aer Lingus, whose past and present employees comprise the majority of the membership, and SR Technics (which has ceased trading) are the other employer members of the IAS.

Both the benefits and the contributions are defined within the rules of the IAS Scheme. Benefits payable are determined by reference to final salary and the IAS Scheme is registered as a defined benefit scheme with the Pensions Board. However, under the trust deed governing the scheme, normal contributions are specified for both the employer and employees at the rate of 6.375% of pensionable salary. Employer contributions cannot be varied without the consent of all of the participating employers, whether in the event of a deficiency or otherwise and DAA is of the view that it has no legal or contractual obligation to alter its contribution rate. Accordingly, the IAS Scheme is accounted for as a defined contribution scheme under FRS 17 with the annual charge to the profit and loss account being the actual contributions payable by the Company to the scheme during the year.

The Trustee of the IAS Scheme has advised the participating employers and membership of the IAS that, following a significant fall in asset values, there existed at 31 March 2011 a material deficiency, as measured under the statutory minimum funding standard, in the scheme. Pursuant to the Pensions Act 1990, the Trustee is required to submit an agreed funding proposal to the Pensions Board outlining how the deficiency is to be eliminated. The deadline for the submission of the funding proposal has been deferred pending revisions to the statutory minimum funding standard. The content of a funding proposal is yet to be determined.

The Company and Aer Lingus, together with their respective unions, agreed to participate in a process under the auspices of the Labour Relations Commission, the objectives of which are to consider the future of the IAS Scheme, the funding of past service benefits and the manner in which pension benefits may be provided in respect of future service. This process is ongoing and it is possible that it may result in alternative independent single employer pension arrangements becoming necessary in respect of future service. Any change in existing arrangements would be subject to, inter alia, the approval of the Ministers for Transport, Tourism and Sport and Public Expenditure and Reform.

While a change in the current IAS Scheme arrangements for past and future pension provision in respect of current and past employees of the Company is possible, the directors are unable at this juncture to determine the precise nature of any alternative arrangements that might be agreed and whether, or to what extent, changes in the accounting treatment afforded to pension obligations in the Group's financial statements might be necessary.

Other Company Pension Arrangements

During 2008, the Company reached agreement with the trade unions representing the majority of staff to establish, subject to Ministerial approval:

a. additional discretionary, fixed contribution, pension arrangements for DAA members of the multi-employer IAS Scheme. The purpose of these arrangements is to seek to provide to eligible members, insofar as available funds permit and subject to the trustees' discretion, additional pensions to those paid by the IAS Scheme. The Company intends to make a once-off contribution to these arrangements in respect of past service which will be conditional, inter alia, upon employee election to join and contribute to the arrangements, the associated cost of which is included in a provision of €35.2 million at 31 December 2011 (2010: €35.4 million) (see Note 19); and

b. new "hybrid" (i.e. part defined benefit and part defined contribution) pension scheme arrangements, for new employees.

These new pension scheme arrangements would be independent of the IAS Scheme.

The Company also contributes to certain other pension arrangements, accounted for as defined benefit schemes under FRS 17, the principal one of which is the Aer Rianta Supplemental Superannuation Scheme ("the AR Supplemental Scheme"), a scheme for certain categories of company employees to provide certain retirement pension benefits supplementary to those payable under the IAS Scheme.

The Company also has an unfunded obligation to provide for the costs of early retirement for a certain category of employees (the "Early Retirement Obligation") as a result of agreements entered into in prior years. The Company has recognised a pension liability in respect of the Early Retirement Obligation at 31 December 2011 of €18.5 million (2010: €17.6 million), of which €1.9 million (2010: €2.0 million) was included in the profit and loss account, representing current service costs and net finance costs. A credit of €2.6 million was recognised in 2010 as an exceptional item in the profit and loss account, representing a curtailment gain (as part of total exceptional curtailment gains of €2.8 million (see Note 4)). A credit of €1.6 million (2010: €0.3 million) was reflected in the statement of total recognised gains and losses, representing actuarial gains/losses.

Aer Rianta International cpt

Aer Rianta International cpt ("ARI") operates defined contribution pension schemes or makes the required statutory contribution in respect of ARI and its principal subsidiary undertakings, covering the majority of its employees. Aer Rianta International (North America) Inc., a subsidiary of ARI, operates a defined benefit scheme ("the ARINA Scheme").

Other Pension Contributions

The Group also makes defined contributions to personal pension arrangements for certain categories of staff.

22. Pensions (continued)

FRS 17 "Retirement Benefits" disclosures

The pension cost to the Group charged against operating profit under FRS 17 for the financial year amounted to €7.4 million (2010: €8.0 million).

	2011	2010
	€000	€000
Defined benefit arrangements – pre-exceptional	**1,852**	1,884
Defined contribution schemes	**5,500**	6,126
	7,352	8,010

The combined after tax net pension liabilities of arrangements, accounted for as defined benefit schemes under FRS 17, consisting primarily of the Early Retirement Obligation, the AR Supplemental Scheme and the ARINA Scheme were as follows:

	Group	**Company**	Group	Company
	2011	**2011**	2010	2010
	€000	**€000**	€000	€000
Net pensions liability	**18,773**	**18,005**	19,794	19,274

The AR Supplemental Scheme and the ARINA Scheme are actuarially valued every three years by independent professionally qualified actuaries. In accordance with FRS 17, at each reporting date the most recent valuation of the schemes is updated by the actuaries to reflect financial assumptions that are current at the balance sheet date. The Early Retirement Obligation has been valued by an independent professionally qualified actuary at the balance sheet date.

At 31 December 2011, the net pensions liability in the Group was €18.773 million (2010: €19.794 million) being assets of €12.337 million (2010: €9.469 million) and present value of accrued scheme liabilities of €33.686 million (2010: €32.020 million) net of a related deferred tax asset of €2.576 million (2010: €2.757 million).

At 31 December 2011, the net pensions liability in the Company was €18.005 million (2010: €19.274 million) being assets of €9.989 million (2010: €7.419 million) and present value of accrued scheme liabilities of €30.570 million (2010: €29.450 million) net of a related deferred tax asset of €2.576 million (2010: €2.757 million).

22. Pensions (continued)

The main financial assumptions, given on a combined basis, used by the actuaries of these arrangements to value the liabilities were:

	As at 31/12/2011	As at 31/12/2010
Valuation method	**Projected Unit**	Projected Unit
Rate of increase in salaries	**2.25% – 3.25%**	3.00% – 3.25%
Rate of increase in pension payment	**0.00% – 3.25%**	0.00%– 3.25%
Discount rate	**4.40% – 5.00%**	5.00% – 5.10%
Inflation assumption	**2.00% – 2.25%**	2.00% – 2.50%
Life expectancy		
Male member age 61 – 65 (current life expectancy)	**22.7 – 23.2**	22.7 – 23.0
Male member age 40 (life expectancy at age 61 – 65)	**22.7 – 26.3**	22.7 – 26.1
Female member age 59 – 65 (current life expectancy)	**24.6 – 27.0**	24.5 – 27.0
Female member age 40 (life expectancy at age 59 – 65)	**27.0 – 27.3**	27.0 – 27.2

The discount rates of 4.4% – 5.0% are based on AA Rated Corporate Bonds which are considered appropriate for the duration of the liabilities of the schemes.

The asset allocations and expected long-term rate of return on assets at the year end were as follows:

		Group 2011		**Company 2011**		Group 2010		Company 2010
	Percentage of plan assets	**Expected return**	**Percentage of plan assets**	**Expected return**	Percentage of plan assets	Expected return	Percentage of plan assets	Expected return
Equities	**47.2%**	**6.6%**	**44.2%**	**7.0%**	70.4%	6.4%	72.7%	6.5%
Bonds	**36.3%**	**3.5%**	**36.6%**	**4.0%**	21.4%	3.1%	18.4%	3.6%
Property	**1.3%**	**6.5%**	**1.6%**	**6.5%**	2.2%	6.5%	2.7%	6.5%
Other	**15.2%**	**1.9%**	**17.6%**	**2.0%**	6.0%	1.9%	6.2%	2.0%
	100.0%		**100.0%**		100.0%		100.0%	

To develop the expected long-term rate of return on assets assumption, the Group and Company considered the current level of expected returns on risk free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of an assumption of the weighted average long-term rate of return on assets of 4.78% (2010: 5.40%).

	Group 2011 €000	**Company 2011 €000**	Group 2010 €000	Company 2010 €000
Amounts recognised in the balance sheet				
Present value of funded obligations	**(15,206)**	**(12,090)**	(14,420)	(11,850)
Fair value of plan assets	**12,337**	**9,989**	9,469	7,419
Deficit for funded plans	**(2,869)**	**(2,101)**	(4,951)	(4,431)
Present value of unfunded obligations	**(18,480)**	**(18,480)**	(17,600)	(17,600)
Gross liability	**(21,349)**	**(20,581)**	(22,551)	(22,031)
Related deferred tax asset	**2,576**	**2,576**	2,757	2,757
Net liability	**(18,773)**	**(18,005)**	(19,794)	(19,274)
Change in benefit obligation				
Benefit obligation at beginning of year	**(32,020)**	**(29,450)**	(28,692)	(28,692)
Service cost	**(1,852)**	**(1,675)**	(1,884)	(1,743)
Interest cost	**(1,650)**	**(1,515)**	(1,738)	(1,612)
Plan members' contributions	**(402)**	**(354)**	(354)	(303)
Actuarial gain/(loss)	**2,100**	**2,307**	(2,314)	(4)
Benefits paid	**195**	**117**	147	89
Translation loss	**(57)**	**–**	–	–
Curtailments	**–**	**–**	2,815	2,815
Benefit obligation (funded and unfunded) at end of year	**(33,686)**	**(30,570)**	(32,020)	(29,450)

22. Pensions (continued)

	Group 2011 €000	Company 2011 €000	Group 2010 €000	Company 2010 €000
Change in plan assets				
Fair value of plan assets at beginning of year	**9,469**	**7,419**	6,038	6,038
Expected return on plan assets	**655**	**506**	497	368
Actuarial (loss)/gain	**(883)**	**(706)**	1,576	321
Employer contributions	**2,850**	**2,533**	1,151	478
Member contributions	**402**	**354**	354	303
Benefits paid from plan	**(195)**	**(117)**	(147)	(89)
Translation gain	**40**	**–**	–	–
Fair value of plan assets at end of year	**12,338**	**9,989**	9,469	7,419
Components of pension expense				
Amounts recorded in profit and loss				
Current service cost	**1,852**	**1,675**	1,884	1,743
Interest cost	**1,650**	**1,515**	1,738	1,612
Expected return on plan assets	**(655)**	**(506)**	(497)	(368)
Gain due to curtailments	**–**	**–**	(2,815)	(2,815)
Total pension expense recognised in the profit and loss account	**2,847**	**2,684**	310	172
Actuarial (gain)/loss immediately recognised	**(1,217)**	**(1,601)**	738	(317)
Total pension (gain)/loss recognised in the statement of total recognised gains and losses ("STRGL")	**(1,217)**	**(1,601)**	738	(317)
Cumulative amount of actuarial loss immediately recognised	**15,188**	**13,749**	16,405	15,350

Contributions of €0.7 million are expected to be paid by the Group in the forthcoming accounting period for defined benefit arrangements.

					Year ended 31 December		
	Group	Company	Group	Company		Group and Company	
	2011	2011	2010	2010	2009	2008	2007
History of experience adjustments	€000	€000	€000	€000	€000	€000	€000
Difference between expected and actual return on assets	**(883)**	**(706)**	1,576	321	833	(2,490)	(679)
Expressed as a percentage of scheme assets	**7.2%**	**7.1%**	16.6%	4.3%	13.8%	60.6%	12.5%
Experience (losses) and gains on scheme liabilities	**(2,560)**	**(2,275)**	1,380	1,807	(770)	(490)	(987)
Expressed as a percentage of scheme liabilities	**7.6%**	**7.4%**	4.3%	6.1%	2.7%	1.9%	12.3%
Total actuarial gains and (losses)	**1,217**	**1,601**	(738)	317	1,524	(18,070)	(89)
Expressed as a percentage of scheme liabilities	**3.6%**	**5.2%**	2.3%	1.1%	5.3%	70.0%	1.1%
History of scheme deficits							
Fair value of scheme assets	**12,337**	**9,989**	9,469	7,419	6,038	4,106	5,428
Present value of scheme liabilities	**(33,686)**	**(30,570)**	(32,020)	(29,450)	(28,692)	(25,822)	(8,034)
Deficit in schemes	**(21,349)**	**(20,581)**	(22,551)	(22,031)	(22,654)	(21,716)	(2,606)

	Group and Company	
	2011	2010
	€000	€000
Deferred tax asset – pension related		
At beginning of year	**2,757**	2,834
Credit/(charge) to profit	**20**	(36)
Charge to STRGL	**(201)**	(41)
At end of year	**2,576**	2,757

23. Reserves

	2011				2010
	Profit and loss account €000	Translation reserve €000	Other reserves €000	Total reserves €000	Total reserves €000
Group					
At 1 January	**824,539**	**1,001**	**246**	**825,786**	790,380
Profit for the financial year	**30,193**	**–**	**–**	**30,193**	33,110
Currency translation adjustments	**–**	**642**	**–**	**642**	3,075
Actuarial gain/(loss) in pension schemes	**1,217**	**–**	**–**	**1,217**	(738)
Deferred tax charge thereon	**(201)**	**–**	**–**	**(201)**	(41)
At 31 December	**855,748**	**1,643**	**246**	**857,637**	825,786
Reserves are held as follows:					
Dublin Airport Authority plc	**634,882**	**–**	**–**	**634,882**	645,703
Subsidiary undertakings	**221,184**	**136**	**–**	**221,320**	188,708
Joint venture undertakings	**(13,940)**	**–**	**–**	**(13,940)**	(20,041)
Associated undertakings	**13,622**	**1,507**	**246**	**15,375**	11,416
	855,748	**1,643**	**246**	**857,637**	825,786

	2011 €000	2010 €000
Company		
Profit and loss account		
At 1 January	**645,703**	629,983
(Loss)/profit for the financial year	**(12,221)**	15,444
Actuarial gain in pension schemes	**1,601**	317
Deferred tax charge thereon	**(201)**	(41)
At 31 December	**634,882**	645,703

24. Reconciliation of operating profit to cash inflow from operating activities

	Group	
	2011	2010
	€000	€000
Operating profit	**57,704**	72,494
Depreciation charge	**101,937**	74,315
Amortisation of intangible assets	**180**	265
Amortisation of goodwill/negative goodwill	**(213)**	720
Reversal of impairment of investments	**–**	(1,027)
Loss on retirements of tangible fixed assets	**168**	466
Amortisation of capital grants	**(991)**	(1,019)
Loss/(profit) on disposal of tangible fixed assets	**144**	(28)
Decrease/(increase) in stocks	**4,304**	(1,428)
Increase in debtors	**(3,116)**	(6,378)
Increase in creditors	**5,687**	8,171
(Decrease)/increase in pension liability	**(906)**	733
Net cash inflow from operating activities	**164,898**	147,284

25. Analysis of headings grouped in cash flow statement

	Group	
	2011	2010
	€000	€000
Returns on investments and servicing of finance		
Interest and similar income received	**15,720**	25,621
Interest and similar charges paid	**(78,917)**	(73,989)
Income from other financial assets	**313**	278
	(62,884)	(48,090)
Capital expenditure		
Purchase of tangible fixed assets	**(90,028)**	(227,898)
Sale of tangible fixed assets	**98**	28
	(89,930)	(227,870)
Acquisitions and disposals		
Increase in other investments	**–**	(6,602)
Investment in associate undertakings	**–**	(11)
Disposal of associate undertakings	**12,500**	–
Acquisition of subsidiary undertakings	**(3,200)**	–
	9,300	(6,613)
Dividends paid		
By subsidiary undertakings to minority interests	**(4,282)**	(1,631)
	(4,282)	(1,631)
Financing		
Repayments of loans notes	**(295,000)**	–
Repayments of bank loans	**(13,915)**	(13,377)
New bank loans	**260,000**	–
	(48,915)	(13,377)

26. Reconciliation of net cash flow to movement in net debt

	Group 2011 €000	2010 €000
Decrease in cash in the year	**(2,767)**	(13,784)
Decrease in liquid resources	**(20,958)**	(147,739)
Decrease in debt	**48,915**	13,377
Change in net debt resulting from cash flows	**25,190**	(148,146)
Profit on repurchase of loan notes (Note 4 (d))	**5,038**	–
Amortisation of issue costs	**(398)**	(566)
Foreign exchange movement	**(96)**	161
Movement in net debt in the year	**29,734**	(148,551)
Net debt at 1 January	**(764,537)**	(615,986)
Net debt at 31 December	**(734,803)**	(764,537)

27. Analysis of net debt

	At 1 January 2011 €000	Cash flow €000	Non-cash movement €000	Foreign exchange movement €000	At 31 December 2011 €000
Cash	25,530	(2,767)	–	(96)	22,667
Liquid resources	451,331	(20,958)	–	–	430,373
	476,861	(23,725)	–	(96)	453,040
Debt due within one year	(263,892)	263,915	(14,510)	–	(14,487)
Debt due after one year	(977,506)	(215,000)	19,150	–	(1,173,356)
	(1,241,398)	48,915	4,640	–	(1,187,843)
Total	**(764,537)**	**25,190**	**4,640**	**(96)**	**(734,803)**

28. Financial Instruments

Narrative disclosures concerning the Group's treasury policy and management are set out in the 2011 Financial Review. The required disclosures in respect of relevant financial assets and liabilities (as defined) in accordance with Financial Reporting Standard 13 (FRS 13) "Derivatives and Other Financial Instruments" are provided below. Relevant financial assets/liabilities exclude short-term debtors and creditors and investments in subsidiaries, associated undertakings and joint ventures.

i. Interest rate risk profile of financial liabilities and assets

After taking into account, where relevant, the various interest rate swaps and forward foreign currency contracts entered into by the Group, the interest rate profile of the Group's relevant financial liabilities and interest bearing relevant financial assets at 31 December 2011 was:

			2011			2010
	Total €000	**Floating rate €000**	**Fixed rate €000**	Total €000	Floating rate €000	Fixed rate €000
Financial liabilities						
Euro	**1,187,843**	**260,000**	**927,843**	1,241,398	–	1,241,398
	1,187,843	**260,000**	**927,843**	1,241,398	–	1,241,398
Financial assets						
Euro	**441,275**	**441,275**	**–**	469,173	469,173	–
Sterling	**264**	**264**	**–**	325	325	–
US dollar	**8,894**	**8,894**	**–**	5,304	5,304	–
Canadian dollar	**1,819**	**1,819**	**–**	1,396	1,396	–
Ukraine hryvnia	**532**	**532**	**–**	544	544	–
Russian rouble	**136**	**136**	**–**	90	90	–
Hong Kong dollar	**90**	**90**	**–**	–	–	–
Swiss franc	**15**	**15**	**–**	18	18	–
Other currencies	**15**	**15**	**–**	11	11	–
	453,040	**453,040**	**–**	476,861	476,861	–

The weighted average interest rate for fixed rate Euro currency financial liabilities was 5.8% (2010: 5.9%) and the weighted average period for which the rate is fixed was 9.6 years (2010: 8.4 years). There were no financial liabilities on which no interest is paid. The floating rate financial assets were comprised of term and call bank deposits of less than one year that bore interest based on market rates. No interest is received on loans to associated and joint venture undertakings of €5.4 million (2010: €5.4 million).

28. Financial Instruments (continued)

ii. Currency exposures

The table below shows the Group's currency exposure, being those assets and liabilities (or non-structural exposures) that give rise to the net monetary gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the unit involved. These exposures were as follows:

	Net foreign currency monetary assets €000							
	Euro	Sterling	US dollar	Canadian dollar	Ukraine hryvnia	Russian rouble	Swiss franc	Swedish krona
As at 31 December 2011								
Functional currency of Group operations								
Euro	–	211	2,377	906	516	140	10	15
Canadian dollar	–	–	86	–	–	–	–	–
Hong Kong dollar	2,457	–	4	–	–	–	–	–
US dollar	1,087	50	–	–	–	–	13	–
	3,544	**261**	**2,467**	**906**	**516**	**140**	**23**	**15**
As at 31 December 2010								
Functional currency of Group operations								
Euro	–	459	4,883	180	544	90	6	11
Canadian dollar	–	–	25	–	–	–	–	–
US dollar	1,407	99	–	–	–	–	12	–
	1,407	**558**	**4,908**	**180**	**544**	**90**	**18**	**11**

The amounts shown in the table above take into account the effect of any currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

iii. Fair values of financial liabilities and assets

Set out below is a comparison by category of book values and fair values of the Group's relevant financial liabilities as at 31 December 2011.

	2011		2010	
	Book value €000	**Fair value €000**	Book value €000	Fair value €000
Primary financial instruments held or issued to finance the Group's operations				
Short-term financial liabilities and current portion of long-term borrowings (Note 17)	**14,487**	**16,670**	263,892	260,669
Long-term borrowings (Note 17)	**1,173,356**	**1,185,324**	977,506	892,707
	1,187,843	**1,201,994**	1,241,398	1,153,376
Derivative financial instruments held or issued to hedge the currency exposure on expected future sales:				
Forward foreign exchange contracts	**–**	**87**	–	82

Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates.

At the balance sheet date the fair values of the relevant financial assets and other creditors falling due after more than one year were not materially different from their carrying value.

28. Financial Instruments (continued)

iv. Hedges

As set out in the 2011 Financial Review, the Group enters into forward foreign currency contracts to eliminate the currency exposure that arises on cash flows denominated in foreign currencies. It also may use interest rate swaps and forward rate agreements to manage its interest rate profile. As set out in the Statement of Accounting Policies, changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows:

	Gains €000	Losses €000	Total net gains/ (losses) €000
Unrecognised gains and losses on hedges on 1 January 2011	**82**	**–**	**82**
Gains and losses arising in previous years recognised in 2011	(82)	–	(82)
Gains and losses arising before 1 January 2011 not recognised in 2011	**–**	**–**	**–**
Gains and losses arising in 2011 not recognised in 2011	87	–	87
Unrecognised gains and losses on hedges at 31 December 2011	**87**	**–**	**87**
Of which:			
Gains and losses expected to be recognised in 2012	87	–	87

29. Commitments and related matters

	Group		Company	
	2011	2010	**2011**	2010
	€000	€000	**€000**	€000
i. Capital commitments				
Contracted	**9,898**	14,722	**9,898**	14,722
Authorised by the directors but not contracted for	**19,525**	23,781	**18,756**	23,781
	29,423	38,503	**28,654**	38,503

ii. International concession agreements

Certain international retail activities of the Group are subject to arrangements that include guaranteed minimum concession fees. Amounts payable during the next twelve months are made up as follows:

	Group		Company	
	2011	2010	**2011**	2010
	€000	€000	**€000**	€000
Payable on concession agreements which expire within:				
Two to five years	**4,545**	4,409	**–**	–
Greater than five years	**6,610**	5,861	**–**	–
	11,155	10,270	**–**	–

At 31 December 2011, €4.0 million (2010: €4.7 million) of these commitments had been secured by performance bonds issued by banks and guaranteed by the Company's subsidiary undertaking, Aer Rianta International cpt.

29. Commitments and related matters (continued)

iii. Operating leases

Leasing commitments payable during the next twelve months were made up as follows:

	Group		Company	
	2011	2010	**2011**	2010
	€000	€000	**€000**	€000
Buildings				
Payable on leases which expire within:				
Two to five years	**249**	256	**–**	–
Greater than five years	**486**	354	**–**	–
	735	610	**–**	–
Plant and equipment				
Payable on leases which expire within:				
One year	**655**	1,162	**655**	1,162
Two to five years	**263**	484	**263**	484
	918	1,646	**918**	1,646

iv. Other commitments

In the normal course of business the Group has entered into commitments for the future supply of gas and electricity at its airports. At 31 December 2011, the purchase commitments amounted to €9.2 million (2010: €7.7 million).

30. Related party disclosures

The related parties of the Group, as defined by Financial Reporting Standard 8 (FRS 8) "Related Party Disclosures", the nature of the relationship and the extent of transactions with them (excluding subsidiary undertakings), are summarised below.

	2011	2010
	€000	€000
Associated and joint venture undertakings		
Management charges to associated undertakings	**10,095**	12,431
Sales at cost to associated undertakings	**1,479**	8,503
Dividends received from associated undertakings	**22,892**	17,097
Loan to associated undertaking	**563**	563
Due from associated undertakings at year-end	**7,978**	8,788
Due to associated undertakings at year-end	**589**	1,291
Loan to joint venture undertaking at year-end	**4,882**	4,882
Entities under control of the Irish Government		
Revenues in the ordinary course of business	**5,576**	4,998
Operating expenses in the ordinary course of business	**24,347**	24,783
Interest receivable and similar income	**8,805**	12,896
Amounts owed by the Group from operating activities at year-end	**3,272**	3,808
Amounts owing to the Group from operating activities at year-end	**1,203**	341
Cash or cash equivalents placed on deposit at year-end	**66,162**	315,000
Entities under significant influence of the Irish Government		
Revenues in the ordinary course of business	**103,150**	92,471
Operating expenses in the ordinary course of business	**1,131**	1,028
Interest receivable and similar income	**1,620**	580
Interest payable and similar charges	**78**	64
Amounts owed by the Group from operating activities at year-end	**9,516**	5,804
Amounts owing to the Group from operating activities at year-end	**20,382**	–
Cash or cash equivalents placed on deposit at year-end	**–**	151,780
Fixed assets acquisitions	**20,342**	4,800

Details of the Group's principal associated and joint venture undertakings are set out in Note 12.

30. Related party disclosures (continued)

In common with many other entities, the Group deals in the normal course of business with Government and state bodies and other entities that are under ownership, control or significant influence from the Government. Such dealings are with a wide range of entities that include central government, local authorities, commercial and non-commercial semi-state companies and financial institutions. They also include Aer Lingus Group plc (Aer Lingus), which is 25.22% owned by the Minister for Finance. In addition, pursuant to the State Airports Act 2004, the Company has entered into interim arrangements with Cork Airport Authority plc and Shannon Airport Authority plc for the performance on its behalf of certain functions covering Cork and Shannon airports respectively.

Ms Marie O'Connor, a director of the Company until 6 November 2011, is also a Partner in PricewaterhouseCoopers ("PwC") in Ireland. Fees in respect of professional services provided to the Group in the normal course of business by PwC in Ireland during the year ended 31 December 2011 were €269,478 (2010: €1,214,903). Mr Bill Cullen, a director of the Company until 6 November 2011, is a Principal of the Europa Academy. Fees in respect of rental of rooms provided to the Group in the normal course of business by Europa Academy during the year ended 31 December 2011 were €3,300 (2010: €17,612). Mr Brian O'Connell, a director of the Company until 31 December 2011, is also a director of Westpark Shannon Limited which is a property development company. During the year, Westpark provided office space at no charge to the Shannon College of Hotel Management, a business run by the Company. The market value of this has been estimated at €3,600 (2010: €3,600).

By virtue of the 25.22% shareholding of the Government of Ireland, Aer Lingus is regarded as a related party of the Group for the purpose of FRS 8. In 2011, the Group acquired Aer Lingus' leasehold interest in a 9.9 acre site situated at Dublin Airport comprising its corporate headquarters, other buildings, structures and car parking spaces for a deferred consideration of €20.3 million to be settled over a ten-year period (net of a cash payment to the Group of €1.0 million on completion of the transaction). The deferred consideration will be offset against certain fees, rents and licence fees payable by Aer Lingus to the Group in the ordinary course of business.

31. Minority interest

	2011 €000
At beginning of year	**12,240**
Share of profit for the year	**4,007**
Exchange differences	**(1)**
Dividend to minority shareholders	**(4,282)**
At end of year	**11,964**

32. Associates and joint ventures

In accordance with the requirements of Financial Reporting Standard 9 (FRS 9): "Associates and Joint Ventures", the following additional information is given about associated and joint venture undertakings which play a significant part in the operations of the Group, where applicable.

The Group's share of turnover, fixed assets, current assets, liabilities due within one year and liabilities due after more than one year of all associated undertakings is as follows:

	2011 €000	2010 €000
Turnover	**208,992**	257,401
Fixed assets	**291,782**	301.007
Current assets	**59,841**	95,146
Liabilities due within one year	**(45,844)**	(62,473)
Liabilities due after one year or more	**(220,598)**	(247,495)

The Group's share of capital commitments of all associated undertakings amounted to €68.0 million (2010: €61.9 million).

The Group's share of the results, assets and liabilities of Flughafen Düsseldorf GmbH in which the Group holds a 20% stake (via its 40% stake in Airport Partners GmbH) (associated undertaking which exceeds certain size criteria as set down in FRS 9) is as follows:

	2011 €000	2010 €000
Turnover	**83,735**	80,892
Profit before tax	**15,242**	13,775
Taxation	**(4,526)**	(4,218)
Profit after tax	**10,716**	9,557
Fixed assets	**271,616**	275,401
Current assets	**10,415**	28,879
Liabilities due within one year	**(10,555)**	(6,717)
Liabilities due after one year or more	**(193,613)**	(220,420)

33. Litigation

In the normal course of business, the Group is involved in various legal proceedings with third parties, the outcome of which is uncertain. Where appropriate, provision is made in the financial statements based on the directors' best estimate of the potential outcome of such proceedings. It is the policy of the Group to rigorously defend all legal actions taken against the Group.

34. Approval of financial statements

The financial statements were approved by the Board on 23 March 2012.

Five-year summary of financial results

	2011	2010	2009	2008	2007
	€000	€000	€000	€000	€000
Operating results					
Turnover	**557,492**	558,153	546,716	630,940	623,364
Group EBITDA	**160,273**	146,756	125,512	154,657	169,917
Depreciation, amortisation and impairment	**(102,569)**	(74,262)	(62,820)	(67,000)	(58,309)
Group operating profit (pre-exceptional)	**57,704**	72,494	62,692	87,657	111,608
Share of profits of associates and joint ventures	**36,045**	18,907	14,007	30,272	38,471
Net interest payable – Group, joint ventures and associates	**(56,250)**	(39,803)	(20,118)	(17,117)	(17,105)
Group exceptional items	**3,538**	435	(56,916)	(35,194)	239,320
Profit/(loss) before taxation	**41,037**	52,033	(335)	65,618	372,294
Taxation	**(6,837)**	(15,108)	(9,459)	(16,572)	(24,735)
Minority interest	**(4,007)**	(3,815)	(3,473)	(1,972)	(33)
Profit/(loss) for the financial year	**30,193**	33,110	(13,267)	47,074	347,526
Profit excluding exceptional items (after tax)	**25,987**	32,771	37,947	77,899	108,500
Capital employed					
Tangible fixed assets	**1,943,541**	1,960,017	1,791,497	1,344,260	1,006,126
Intangible fixed assets	**8,272**	9,471	10,527	11,509	3,327
Financial fixed assets	**82,478**	79,010	83,578	103,981	94,175
Net current assets	**311,382**	70,162	483,292	699,982	386,220
Total assets less current liabilities	**2,345,673**	2,118,660	2,368,894	2,159,732	1,489,848
Creditors due after more than one year	**(1,185,301)**	(990,412)	(1,260,698)	(1,067,138)	(479,710)
Capital grants	**(13,853)**	(14,844)	(15,863)	(16,909)	(18,024)
Provisions for liabilities	**(71,808)**	(69,247)	(85,952)	(38,156)	(13,916)
Net pension liability	**(18,773)**	(19,794)	(19,820)	(19,002)	(2,280)
Net assets	**1,055,938**	1,024,363	986,561	1,018,527	975,918
Summary Cash Flow					
Cash flow from operating activities	**164,898**	147,284	131,368	161,624	170,001
Payments in respect of exceptional restructuring and pension programmes	**(11,783)**	(30,379)	(1,918)	(9,028)	(27,017)
Dividends from associated undertakings	**22,892**	17,097	19,025	13,567	9,628
	176,007	134,002	148,475	166,163	152,612
Net interest paid	**(62,884)**	(48,090)	(27,238)	(13,750)	(12,875)
Taxation (paid)/refund	**(3,021)**	2,056	(2,986)	(15,342)	(23,520)
	110,102	87,968	118,251	137,071	116,217
Investment in tangible fixed assets	**(90,028)**	(227,898)	(522,810)	(349,232)	(248,875)
Investment in/loans to associated and joint venture undertakings and financial assets	**–**	(11)	–	(1,245)	–
Other investments	**–**	(6,602)	–	–	–
Acquisition of subsidiary undertakings	**(3,200)**	–	–	(8,343)	–
Net proceeds/(outflow) from disposal of subsidiary/associated undertakings	**12,500**	–	(562)	–	303,677
Sale of tangible and financial assets	**98**	28	39	80	390
	(80,630)	(234,483)	(523,333)	(358,740)	55,192
	29,472	(146,515)	(405,082)	(221,669)	171,409
Dividends paid					
to Minister for Finance	**–**	–	(19,400)	–	–
to minority undertakings of subsidiaries	**(4,282)**	(1,631)	(4,710)	–	–
Cash inflow/(outflow) before management of liquid resources and financing	**25,190**	(148,146)	(429,192)	(221,669)	171,409
Net debt					
Group net debt/(funds) at year end	**734,803**	764,537	615,986	188,040	(34,804)

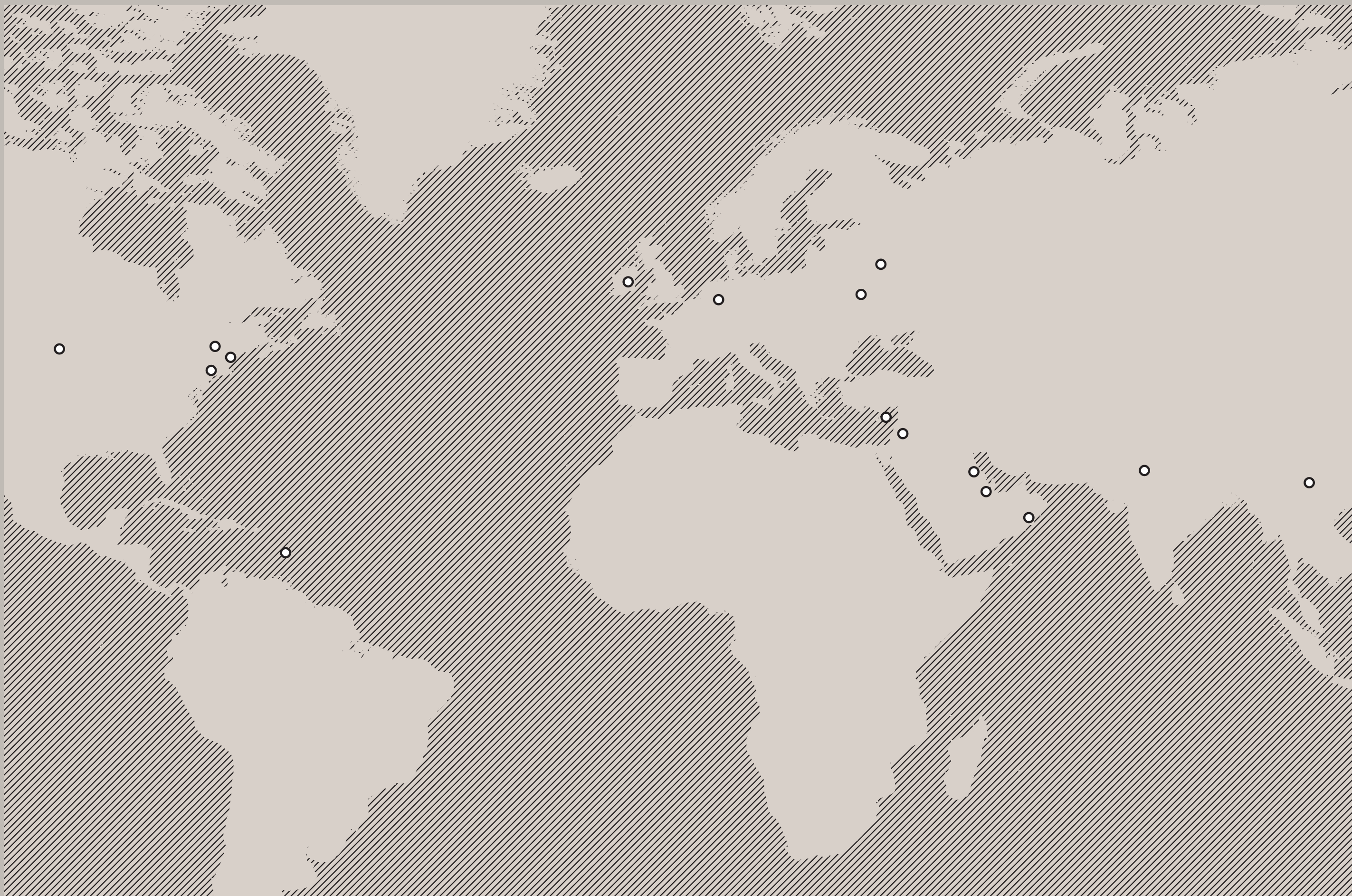
Five-year summary of passenger statistics

Passengers	2011	2010	2009	2008	2007
Overall					
Transatlantic	**1,886,898**	1,838,703	2,056,649	2,323,454	2,279,592
Britain	**8,903,819**	8,703,096	9,954,850	11,295,164	11,349,040
Continental Europe	**11,220,625**	10,922,184	12,409,145	14,221,820	14,213,849
Other International	**261,645**	272,534	248,992	261,793	240,796
Domestic	**163,336**	565,142	1,024,814	1,384,682	1,470,508
Transit	**291,670**	310,421	372,838	407,966	534,535
	22,727,993	22,612,080	26,067,288	29,894,879	30,088,320
Percentage change year-on-year	**0.5%**	-13.3%	-12.8%	-0.6%	+8.1%
Dublin					
Transatlantic	**1,566,787**	1,489,081	1,614,375	1,748,299	1,532,799
Britain	**6,970,219**	6,726,793	7,575,288	8,559,677	8,670,935
Continental Europe	**9,815,198**	9,570,020	10,416,954	11,997,198	11,901,747
Other International	**259,800**	266,418	242,670	252,252	232,960
Domestic	**120,428**	369,010	634,973	844,594	885,233
Transit	**8,161**	9,742	19,417	64,691	63,764
	18,740,593	18,431,064	20,503,677	23,466,711	23,287,438
Percentage change year-on-year	**1.7%**	-10.1%	-12.6%	+0.8%	+9.9%
Shannon					
Transatlantic	**319,856**	349,381	442,147	574,843	746,551
Britain	**752,903**	761,789	1,062,915	1,139,970	1,253,570
Continental Europe	**269,718**	323,358	888,946	1,020,437	1,066,630
Other International	**745**	1,063	869	2,820	507
Domestic	**1,649**	25,064	52,448	96,836	89,034
Transit	**280,582**	295,230	347,238	334,623	464,331
	1,625,453	1,755,885	2,794,563	3,169,529	3,620,623
Percentage change year-on-year	**-7.4%**	-37.2%	-11.8%	-12.5%	-0.5%
Cork					
Transatlantic	**255**	241	127	312	242
Britain	**1,180,697**	1,214,514	1,316,647	1,595,517	1,424,535
Continental Europe	**1,135,709**	1,028,806	1,104,245	1,204,185	1,245,472
Other International	**1,100**	5,053	5,453	6,721	7,329
Domestic	**41,259**	171,068	336,393	443,252	496,241
Transit	**2,927**	5,449	6,183	8,652	6,440
	2,361,947	2,425,131	2,769,048	3,258,639	3,180,259
Percentage change year-on-year	**-2.6%**	-12.4%	-15.0%	+2.5%	+5.6%

Five-year summary of aircraft movements

	2011	2010	2009	2008	2007
Overall					
Commercial					
Scheduled	**175,300**	175,334	197,797	231,139	228,681
Non Scheduled	**16,184**	17,124	19,859	26,803	30,197
Cargo	**6,323**	5,983	6,719	9,396	9,913
Commercial Air Transport Movements	**197,807**	198,441	224,375	267,338	268,791
Percentage change year-on-year	**-0.3%**	-11.6%	-16.1%	-0.5%	+6.7%
Others	**40,116**	37,627	40,120	48,787	62,088
Total Aircraft Movements	**237,923**	236,068	264,495	316,125	330,879
Dublin					
Commercial					
Scheduled	**144,188**	143,282	156,290	181,850	176,564
Non Scheduled	**6,268**	6,150	8,656	13,158	14,218
Cargo	**3,995**	3,670	4,132	5,103	5,271
Commercial Air Transport Movements	**154,451**	153,102	169,078	200,111	196,053
Percentage change year-on-year	**0.9%**	-9.4%	-15.5%	+2.1%	+8.2%
Others	**7,565**	7,218	7,733	11,779	15,751
Total Aircraft Movements	**162,016**	160,320	176,811	211,890	211,804
Shannon					
Commercial					
Scheduled	**11,054**	10,702	18,357	21,172	22,230
Non Scheduled	**8,586**	9,504	9,255	8,513	10,297
Cargo	**1,543**	1,507	1,711	2,985	3,101
Commercial Air Transport Movements	**21,183**	21,713	29,323	32,670	35,628
Percentage change year-on-year	**-2.4%**	-26.0%	-10.2%	-8.3%	+0.1%
Others	**6,663**	5,669	5,643	9,689	12,486
Total Aircraft Movements	**27,846**	27,382	34,966	42,359	48,114
Cork					
Commercial					
Scheduled	**20,058**	21,350	23,150	28,117	29,887
Non Scheduled	**1,330**	1,470	1,948	5,132	5,682
Cargo	**785**	806	876	1,308	1,541
Commercial Air Transport Movements	**22,173**	23,626	25,974	34,557	37,110
Percentage change year-on-year	**-6.2%**	-9.0%	-24.8%	-6.9%	+6.0%
Others	**25,888**	24,740	26,744	27,319	33,851
Total Aircraft Movements	**48,061**	48,366	52,718	61,876	70,961

DAA Group Structure and Management



Group Structure

Dublin Airport Authority plc
Dublin, Cork, Shannon

Aer Rianta International
Airport Investments

Europe
Düsseldorf, Larnaca, Paphos

Airport Retailing

Ireland
Dublin, Cork, Shannon

Middle East
Bahrain, Cyprus, Lebanon, Oman, Qatar

North America / Caribbean
Barbados, Halifax, Montreal, Ottawa, Winnipeg

Airport Retailing (continued)

CIS / Eastern Europe
Moscow, Kiev

India
Delhi

China
Kunming

DAA Management Team

Declan Collier
Chief Executive

Mary Considine
Director, Shannon Airport

Oliver Cussen
Deputy Chief Executive & Company Secretary

Ray Gray
Chief Financial Officer

Vincent Harrison
Director Strategy, Regulation & B2B

Maurice Hennessy
Director, Commercial

Robert Hilliard
Chief Operations Officer

Pat Keohane
Director, Cork Airport

Damian Lenagh
Director, Human Resources

Jack MacGowan
Chief Executive, ARI

Colm Moran
Director, Asset Management & Development

Paul Neeson
Director, Retail

Marion O'Brien
Director, Corporate Services

Paul O'Kane
Director, Public Affairs

Aeronautical Information

Dublin Airport

Location	Lat. 532517N, Long. 0061612W (midpoint Runway 10/28)
Elevation	242 ft. AMSL
Runway Data	**Runway 10/28** Length 2637 metres – Width 45 metres plus 7.5 metre shoulders each side Surface Concrete Category III A (Runway 10) / Category III A (Runway 28) **Runway 16/34** Length 2072 metres – Width 61 metres Surface Asphalt Category I (Runway 16) / Non-precision (Runway 34)
Refuelling	JET A1
Operational	24 hrs
Postal Address	Dublin Airport, Co. Dublin, Ireland
Fax Number	(01) 814 1034 (09:00—17:00) (01) 814 5479 (24hrs)
Telephone Number	National (01) 814 1111 International 353 1 814 1111
Web	www.dublinairport.com
SITA	DUBRN7X (Airport Administration) DUBYREI (Operations)

Cork Airport

Location	Lat. 515029N, Long. 0082928W
Elevation	502 ft. AMSL
Runway Data	**Runway 17/35:** Length 2133 metres – Width 45 metres plus 7.5 metre shoulders each side Surface Asphalt Category II (Runway 17) / Category I (Runway 35) **Runway 07/25:** Length 1310 metres – Width 45 metres Surface Concrete Non Inst.
Refuelling	Full refuelling facilities available
Operational	24 hrs
Postal Address	Cork Airport, Co. Cork, Ireland
Fax Number	(021) 431 3442
Telephone Number	National (021) 431 3131 International 353 21 431 3131
Web	www.corkairport.com
SITA	ORKARXH

Shannon Airport

Location	Lat. 524207N, Long. 0085529W
Elevation	46ft. AMSL
Runway Data	**Runway 06/24:** Length 3199 metres – Width 45 metres plus 8 metre shoulders each side Surface Asphalt Category II (Runway 24) / Category I (Runway 06) **Runway 13/31:** Length 1720 metres – Width 45 metres Surface Asphalt/Concrete Non Inst. (currently unavailable for operations)
Refuelling	Hydrant and mobile refuelling available – Jet A1 (24 hrs)
Operational	24 hrs
Postal Address	Shannon Airport, Co. Clare, Ireland
Fax Number	(061) 712282 (Airport Operations Dept) (061) 712075 (Shannon Aviation Fuels)
Telephone Number	National (061) 712000 (24 hr) International 353 61 712000 (24 hr)
Web	www.shannonairport.com

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Principal Bankers
Bank of Ireland
Barclays Bank plc
BNP Paribas
European Investment Bank
Ulster Bank

Forward Looking Statements

This document contains certain forward looking statements with respect to the financial condition, results of operations and businesses of Dublin Airport Authority plc. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. The statements are based on current expected market and economic conditions, the existing regulatory environment and interpretations of Financial Reporting Standards applicable to past, current and future periods. Nothing in this report should be construed as a profit forecast.

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Forest Stewardship Council (FSC)
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