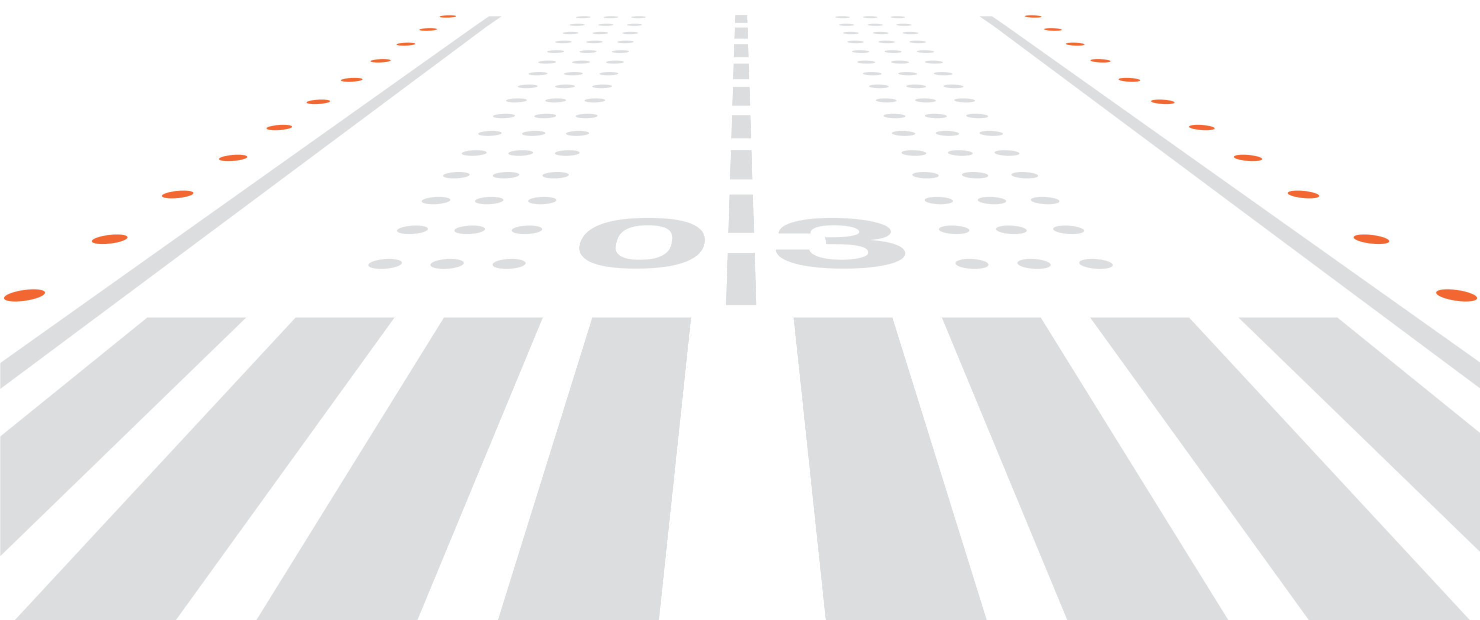
Annual Report & Accounts **2003**

AerRianta



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Board of Directors









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1. Noel Hanlon
Noel Hanlon was first appointed Chairman of the Board in October 1994 and was re-appointed for a second term in October 1999. Noel is also Chairman of subsidiary companies, Aer Rianta International cpt, Aer Rianta Finance plc, Aer Rianta Operations Ltd and Great Southern Hotels Ltd. He is Deputy Chairman of Birmingham Airport Holdings Ltd and Birmingham International Airport Ltd. He is Chairman of the Board Remuneration, Health & Safety and Security Committees.

2. Cecil Brett
Cecil Brett was appointed to the Board on 1 January 2002 under the Worker Participation (State Enterprises) Acts, 1977 and 1988. Cecil is a Director of Aer Rianta International cpt and is also a Director of the Irish Parking Association. He joined the company in 1974 and works as Project Director – Car Parks, Dublin Airport. Cecil is a member of the Board Health & Safety Committee.

3. Peter Dunne
Peter Dunne was first appointed to the Board in January 1994 under the Worker Participation (State Enterprises) Acts, 1977 and 1988 and was re-appointed in January 1998 and January 2002. Peter is a Director of Aer Rianta International cpt and Lenrianta JSC. Peter joined the company in 1971 and works in the Maintenance Department at Dublin Airport. Peter is a member of the Board Health & Safety Committee.

4. Pat Fitzgerald
Pat Fitzgerald was first appointed to the Board in January 1994 under the Worker Participation (State Enterprises) Acts, 1977 and 1988 and was re-appointed in January 1998 and January 2002. Pat is a Director of Aer Rianta International cpt. Pat joined the company in 1966 and works in the Catering Department at Shannon Airport. Pat is a member of the Board Audit and Health & Safety Committees.

5. Joe Gantly
Joe Gantly was appointed to the Board in July 2003. Joe is Senior Director European Operations and Apple Care at Apple Computer in Cork and is also a Director and Board member of the Cork Chamber of Commerce.

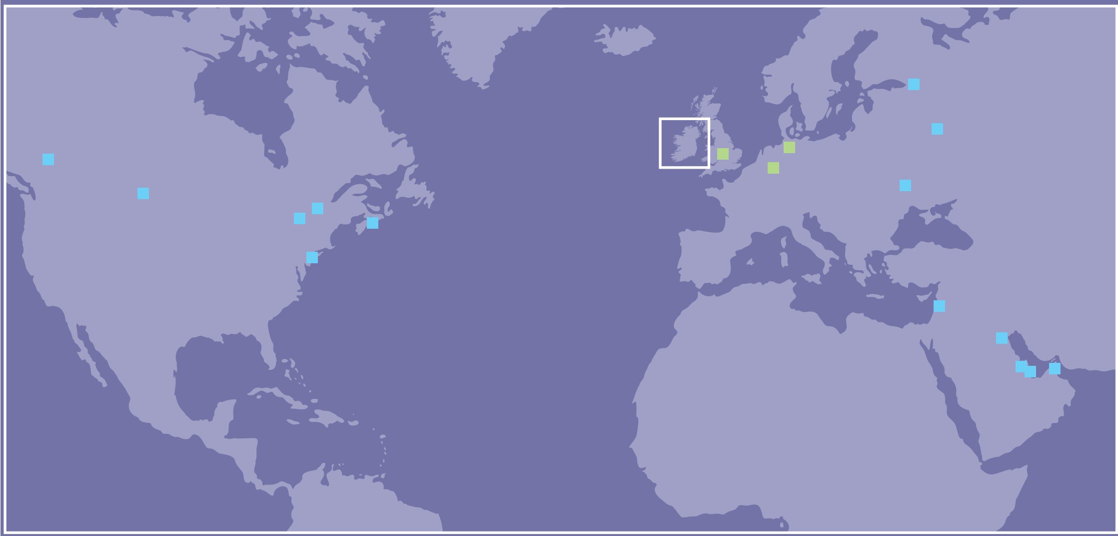
6. Freda Hayes
Freda Hayes was appointed to the Board in June 2001. Freda is Chief Executive of Blarney Woollen Mills Group. Freda is a Director of Aer Rianta International cpt and ARI Sardana JFK Inc. She is a Life Fellow of the Irish Management Institute. Freda is a member of the Board Audit and Remuneration Committees.

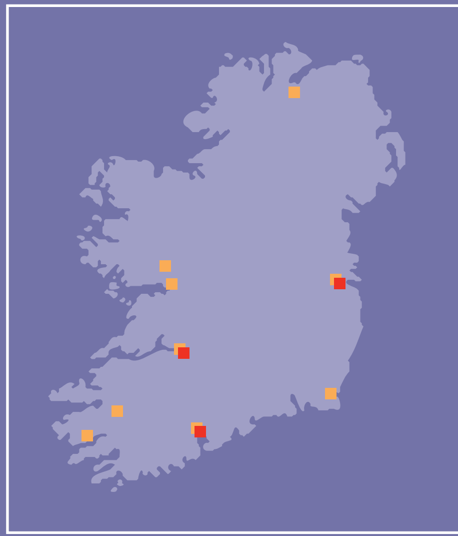
7. Liam J. Meade
Liam Meade was appointed to the Board in April 2001. Liam is a Director of Aer Rianta International cpt and Aer Rianta International (Middle East) W.L.L. Liam is a recently retired aviation industry executive and holds Board memberships in a number of Irish aviation-related companies. He previously held the position of Executive Vice President with GPA Group plc and has a long and varied career in international aviation management, including 10 years in the United States. Liam is Chairman of the Board Audit Committee and is a member of the Remuneration Committee.

8. Patrick Shanahan
Patrick Shanahan was appointed to the Board in July 2003. Patrick is Director of the Atlantic Technology Corridor, an industry led alliance representing 272 technology companies. He is also Chairman of Mowlam Healthcare Ltd, an Irish healthcare company; Director of Xilinx Ireland Ltd, a US multinational and Chairman of a number of Irish based technology companies. He is a former Vice President and Managing Director of Tellabs Ltd, Shannon.

9. Margaret Sweeney
Margaret Sweeney was appointed Chief Executive in January 2004. Margaret joined Aer Rianta in 1997 and has held various senior roles within the Group including Company Secretary and Deputy Chief Executive. Margaret represents Aer Rianta on the boards of Birmingham and Hamburg airports. Margaret is also a Director of Turckton Developments Ltd and Shannon College of Hotel Management. She is a Fellow of the Institute of Chartered Accountants in Ireland and previously worked with KPMG. Margaret is a member of the Council of the Dublin Chamber of Commerce and also of the Governing Authority of Dublin City University. She is also a member of the Board Health & Safety and Security Committees.

Group Structure





Aer Rianta

Dublin Airport | Shannon Airport | Cork Airport

Aer Rianta International

AIRPORTS

Birmingham | Düsseldorf | Hamburg

AIRPORT RETAILING

CIS Moscow | St.Petersburg | Kiev

MIDDLE EAST Bahrain | Beirut | Kuwait | Oman | Qatar

NORTH AMERICA Montreal | Edmonton | Winnipeg | Ottawa | Halifax | New York

Great Southern Hotels

Cork Airport | Corrib | Dublin Airport | Eyre Square | Killarney | Parknasilla

Rosslare | Shannon Airport | City Hotel – Derry

Management Team

Margaret Sweeney	Chief Executive
Oliver Cussen	Director – Corporate Affairs & Company Secretary
Eamon Foley	Director General – Aer Rianta International
Mark Foley	Director – Capital Programmes
Ray Gray	Director – Finance
Tom Haughey	Director – Market Development & Strategy
David Hepburn	General Manager – Community Affairs & Environment
Robert Hilliard	Director – Dublin Airport
Damian Lenagh	Director – Human Resources
Alan Levey	General Manager – Safety & Aviation Standards
Eamonn McKeon	Chief Executive – Great Southern Hotels
Eamonn Moran	General Manager – Aviation Security
Martin Moroney	Director – Shannon Airport
Michael Murphy	General Manager – Group Property
Frank O'Connell	Director – Retail
Joe O'Connor	Director – Cork Airport
John O'Mahoney	Group Chief Accountant
Vincent Wall	Director – Communications

20,438,918

passengers passed through Dublin, Shannon and Cork airports in 2003. This represented an increase of 5.8% on the previous year and compares with a total of 8.4 million passengers in 1993.

Chairman's Statement

Noel Hanlon, Chairman

In July 2003 the Government announced its intention to restructure the Aer Rianta Group.

Since the announcement of the decision, the Board and the management of the Company have worked with the Minister and the Department in analysing key issues arising from the implementation of the decision.

The restructuring is a complex process. It involves the Minister and the Government preparing and processing through the Oireachtas legislation to establish new companies. It is likely to involve the distribution of assets and reserves in the existing Group to the new companies. This process is governed by company law requirements and there are onerous responsibilities on the Board, particularly in relation to the commercial viability of the restructured company going forward and the Company's obligations to its bankers and bond-holders. In addition, of course, there are significant implications for the staff of Aer Rianta in the new situation. The trade unions are engaged with the Department of Transport on these issues. The Board, with the management and its professional advisers, has devoted considerable time, energy and expertise to the many issues arising from the restructuring during the course of 2003.

A Job Well Done

Whatever precise form the new structures take, they will have the considerable benefit of rising from a strong foundation of achievement by Aer Rianta. History will ultimately judge all our efforts, for better or worse. I believe the significant achievements of Aer Rianta outweigh substantially any shortcomings of the Company over the years.

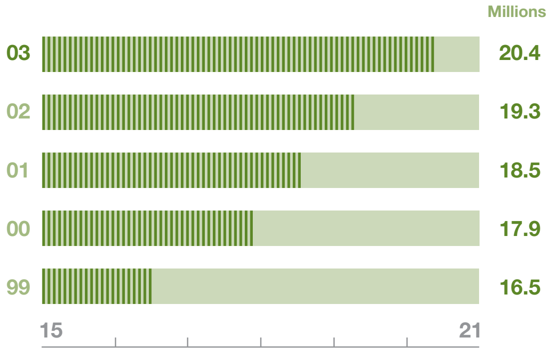
Aer Rianta's core job is to provide airport infrastructure and facilities, coupled with active support for route and service development by the airlines, to accommodate the ever increasing number of passengers travelling through the airports and to provide them with more choice of destinations. The growth of routes and services by the airlines out of the airports has taken place with the active support of Aer Rianta. In the last five years Aer Rianta has provided traffic incentive discounts and aviation marketing support in excess of €90 million.

The addition of over twenty new routes and services out of Dublin Airport during the first half of 2004 is a remarkable achievement. The new carriers operating some of these routes removes Dublin Airport from the reliance on the two dominant carriers and the strategy of the Company in achieving this has worked well. The day when one or two carriers could dictate policy is long gone.

At Cork Airport, new airline services to the UK and to Continental Europe helped boost passenger numbers by an impressive 16%, while at Shannon Airport, the addition of two new transatlantic routes and continued strong expansion of charter services pushed overall passenger numbers to record levels.

In 2003, 20.4 million passengers went through the three airports compared to 8.4 million a decade ago. Over that ten years Dublin has grown from six million passengers to 15.9 million passengers. Shannon has grown from 1.7 million passengers to 2.4 million. Cork has increased from 0.7 million passengers to 2.2 million. The Company has invested the necessary capital to accommodate this huge growth in passenger numbers. This investment has been funded on a commercial basis without recourse to the Exchequer or the taxpayer. Over the last decade Aer Rianta has invested almost €700 million in infrastructure development at the three airports. Over the same period aeronautical charges per passenger had decreased by 20% in real terms.

TOTAL PASSENGER NUMBERS



Issues For The Future

There are critical issues facing the airports going forward, irrespective of the structural arrangements which come into place. Continued substantial investment in infrastructure and facilities will be required. A systematic review of the development options for Dublin Airport has been completed, with the assistance of the best relevant expertise available. The evaluation of the tenders for the construction of a new Pier D has been completed. The planning application for the new parallel runway, which will be required by the end of the decade, is being completed. Major expansion of the terminal facilities at Dublin Airport will be necessary shortly. The internal road network coupled with enhanced public transport access, including the rail link, will need to be developed significantly over the coming years.

Regrettably, the development of Dublin Airport has been stopped by a "Ministerial Statutory Direction" which the Board must comply with. This will have very serious consequences for the capacity of the Airport in years to come to handle the increasing number of passengers, resulting again in the chaos that reigned in the mid to late nineties when development was then stopped for two to three years by the Department of Transport.

I have had the opportunity to observe airport operations and policy making at first hand for the past ten years. The Boards of Aer Rianta, which I have been privileged to chair, have had the benefit of the advice and expertise of leading businessmen and women. The Board have at all times sought to apply rigorous business standards to its decisions. As a country we are now blessed with many successful businesses and business people, who are successful because they put the interests of their business first. However, the legitimate lobbying of such interests needs to be balanced by public policy considerations which balance competing interests in a manner which best serves the public interest. Decisions in relation to airport development seem to me to give undue weight to the views of the many powerful lobbies affected by the airport business. Such lobbying is, of course, entirely legitimate but needs to be balanced by a well thought out, well informed policy approach which acknowledges that airports are a crucially important part of the national infrastructure of the country.

The major terminal development at Cork is well underway. However, airfield development in terms of apron and runway will be required shortly to cope with the continuing increase in passengers. Shannon has substantial airfield facilities and a new terminal. However, there will also be significant investment requirements as the Airport transforms itself to meet the challenges ahead.

The provision of funding for these developments is a key question. There are two high level choices. First, there is funding from viable commercial operations, such as will provide a sustainable return on capital commensurate with the scale of continuous investment necessary to cater for the projected growth in passenger numbers. Investment in airports is a continuous requirement not a once off event. The second choice is funding from the Exchequer

The latter is not a route that the Government or any of the industry commentators to my knowledge wish to go down. The former requires a realistic assessment of the business realities of airports, including the longer-term nature of airport investments, and pricing policies which allow for viable commercial operation of airports, irrespective of whether they are in public or private ownership.

Regulation

Aer Rianta's disagreements with its Regulator are well known. I will not revisit the important arguments we have put forward save to say this much. Airlines have very understandable business imperatives to minimise airport charges. On the other hand, if airports are to fund investment on a commercial basis they must be able to charge prices which remunerate this investment. There is, in my opinion, a serious imbalance in the present regulatory regime in favour of the shorter term or immediate needs of the users of airports at the expense of the longer term imperatives to provide facilities to meet future growth.

There is little acceptance by the Regulator of the capital investment needs of a major international airport. The Board is strongly of the opinion that if Dublin Airport is to continue the necessary capital investment to provide the infrastructure required for a major airport there is an absolute urgent need to increase significantly the aeronautical charges.

I hope that new legislation will address these issues. Our financial figures show clearly that this is not about more profit for Aer Rianta but rather enabling it to meet its statutory obligations.

Our obligations have also increased in the areas of security and insurance. Since the events of September 2001 in the United States, Aer Rianta's combined security and insurance costs have risen substantially.

Policy Vacuum

I believe there is a policy vacuum in relation to airport development. It is not apparent to me and the Board that key questions are being addressed in a systematic way on the basis of comprehensive information and good analysis. Such questions include, what is the most effective way to provide airport infrastructure in the future to meet national and regional economic needs? What are the funding implications for the provision of such infrastructure? How can such funding be provided? How can effective pricing arrangements be put in place to meet funding requirements while ensuring transparency as far as key customers are concerned?

There is an urgent need for the Minister and the Government to set up a policy committee comprising all of the key interests affected by airport development, together with public servants and other independent experts. This group should be asked to draw up a comprehensive strategy for the future development of the airports in Ireland, taking account of all relevant information and analysis.

Performance

During 2003 Aer Rianta continued to manage its business effectively. The Company discharged fully the responsibilities entrusted to it.

Passenger numbers at the three airports increased by 5.8% compared to 2002. Over fifty new routes and services were commenced during the year. Investment in infrastructure continued. The construction of the new development at Cork Airport began and will be completed in 2005. In the preceding years major terminal developments had been completed in Shannon and Dublin.

The retail business in Ireland continued to perform strongly, testifying to the effectiveness of the new retail strategy which has been put in place over the past number of years. Overseas retailing was strong and new shops have been opened in JFK Airport in New York. The investments in Birmingham, Düsseldorf and Hamburg airports are making steady progress.

The Great Southern Hotel Group experienced a difficult year. Consultants carried out a review of the hotels on behalf of the Aer Rianta Board. On foot of this review the Board put proposals to the Minister to address issues faced by the hotel group. However, the implementation of these proposals has been deferred pending the outcome of the proposed restructuring of the Company.

Special Olympics

I would like to pay a special tribute to all of the airport staff, and all of the volunteers who worked at the airports, for their sterling work during the Special Olympics. This was a wonderful occasion for Ireland and I believe the airports played their part.

Corporate Governance

The Company continues to be committed to maintaining the highest standards of corporate governance. It makes every effort to deal with its customers, suppliers, staff, partners and local communities in an open and fair manner and respects the cultures and traditions of the countries in which it operates. Further details as to the application of corporate governance principles are contained in the report of the Board of Directors.

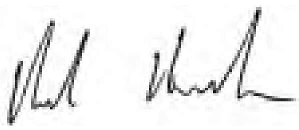
Appreciation

I would like to thank the Minister for Transport, Séamus Brennan TD and his officials, including Julie O'Neill, the Secretary General, the Assistant Secretary, John Lumsden, and all the staff of the Department of Transport. I would also like to express my thanks to Tom Considine, Secretary General of the Department of Finance, and his staff.

I would like to thank my fellow Board members for their personal support and their contribution to the continued success of the Aer Rianta Group. It was a pleasure to welcome new Board members, Joe Gantly and Pat Shanahan, during 2003.

I want to express my deep appreciation to John Burke, who retired as Chief Executive at the end of 2003. I would also like to congratulate Margaret Sweeney on her appointment as Chief Executive with effect from January 2004 and to wish her every success in her new role.

I would like to thank the management team and all the staff across the Group for their commitment and hard work throughout the year.



Noel Hanlon
Chairman
30 April 2004

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new routes and services were launched from the three airports in 2003. There are now over 90 airlines linking Dublin, Shannon and Cork with a record number of international destinations.

Chief Executive's Review

Margaret Sweeney, Chief Executive

The past year proved another challenging period for Aer Rianta from a strategic, operational and financial perspective.

At an operational level, Dublin, Shannon and Cork airports attracted record passenger numbers, while more than fifty new routes and services were launched to an ever-expanding range of destinations. Close to 20.5 million passengers passed through the three airports, an increase of 1.1 million passengers (5.8% on the previous year) and a very strong performance by international standards. Since 2001 the Irish airports have shown continuous and sustained growth in passengers, routes and services despite many challenges during this period.

Substantial and sustained growth of this nature brings challenges. This is particularly the case at Dublin Airport at the moment. The rising volume of passenger and business activity – welcome as it is – is placing significant pressure on the Airport's physical infrastructure and service levels, particularly at peak periods. At the same time severe pricing constraints prevent the Company from investing sufficiently in a timely manner to manage that growth as effectively as possible.

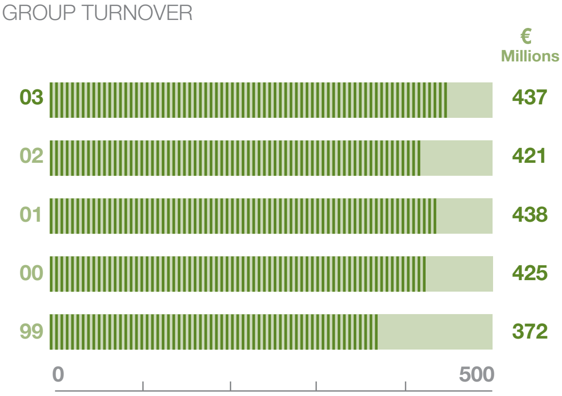
Regrettably, the Company's financial position weakened during the year. There were a number of key reasons for this, most notably the reduced revenues from our regulated aviation-related activities, the difficult business environment faced by some of our subsidiary and associate operations and the impact on our cost base of significant increases in security, insurance and regulatory costs.

Financial Performance

Group profit for the financial year was €20.2 million, compared to €36.2 million in 2002. Group turnover rose by 3.8% to €436.9 million. Income from airport charges increased by just 1.5% despite a rise of nearly 6% in overall passenger numbers. At Dublin Airport, which handles four out of every five of our passengers, aviation revenue per passenger has fallen dramatically since the regulatory price cap was introduced by the Commission for Aviation Regulation in 2001. Last year's average charge per passenger of €5 at Dublin Airport represented an 18% reduction in real terms over that period.

Once again, practically all the Group's profits were generated by airport retailing, other commercial activities and, to a lesser extent last year, our overseas businesses. Our airport retailing at Dublin Airport continues to perform strongly compared with many airports in Europe. While this reflects the Group's ongoing success in these sectors, it provides further evidence of the continued low level of return from regulated airport operations.

GROUP TURNOVER



Investment Constraints

The aggressive capping of aviation revenues by the Commission for Aviation Regulation leaves little potential to fund much-needed capital investment.

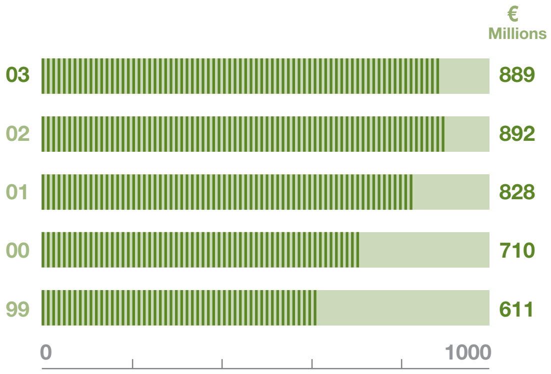
Lack of investment in our airports, particularly Dublin Airport, due to pricing and other constraints, is a critical issue for the Irish economy in general. For an island nation, the country's principal international airports provide a key strategic gateway for people and products. Airports need to plan continuously for the facilities required ten to twenty years into the future. This is particularly the case in Ireland where passenger and cargo volumes are projected to grow strongly over the next twenty years and where substantial infrastructural projects are subject to long planning lead times.

Major airport operators and regulators in other European countries recognise this imperative and are currently spending an average of €6 to €10 per passenger per annum on capital investment. The current regulatory regime allows Aer Rianta spend an average of just €3 per passenger per annum over the five-year period to 2006. This level of capital spend may suit the needs of some airport users in the short term. But it will soon have negative consequences in terms of congestion, comfort and perhaps even safety at Dublin Airport, where passenger numbers continue to grow at close to one million per year and where the operational capacity of the terminal and piers is coming under sustained pressure.

The Commission for Aviation Regulation has tightly constrained the Company's aeronautical income. In doing so it has applied the so-called "Single Till" regulatory regime, whereby income from commercial activities such as retail, property and car parking are taken into account in deriving the maximum permitted levels of airport charges. However, the Commission's unrealistic assumptions particularly regarding the levels of commercial income incorporated in its calculations mean that, since the Determination, the Company has been unable to fully recover its allowed cost of capital of 6%. The Company's commercial revenues are therefore fully accounted for in off-setting aeronautical costs and are not available for any other purpose, a point that is not fully understood by many commentators.

The regulatory formula applied by the Commission allows Aer Rianta generate a maximum return of 6% on the capital it employs. Most commercial businesses, particularly those that need to invest in infrastructure to meet future growth requirements, seek a return on capital of more than double this level. In fact, the 6% rate of return has not been achieved by Aer Rianta over the past two years. Another reason why the Company has not achieved a 6% return on capital is the decision by the Board not to charge the maximum aviation charges allowed by the Commission at Cork and Shannon airports. These airports operate in a competitive environment and also have to contend with the strong magnetic effect of a major airport

TOTAL ASSETS (excluding Current Assets)



such as Dublin. While Shannon and Cork have just introduced their first substantive increases in airport charges since the late 1980s, the new charges are still significantly lower than equivalent airports in the UK, and less than half the maximum allowed by the Commission for Aviation Regulation.

By keeping airport charges as low as possible, by investing in facilities to service current and future customer needs, and by facilitating management and staff to deliver successive record growth levels at all three airports, Aer Rianta has for many years been a significant driver of regional economic development in this country.

Total operating costs for the three airports increased by €11 million to €194 million in 2003. The majority of this increase, or some €6 million was accounted for by three items – regulation (+€3.3 million); insurance (+€1.3 million); security payroll costs (+€1.3 million). Increases in other operating costs were 3.5%. Payroll cost increases were maintained overall at 1% and employee numbers at the three airports have been reduced by 160 full time equivalents over the last two years despite over 200 new security staff being recruited as a result of new security regulations since 2001. Significant costs are being borne by the airports due to the increasingly stringent international safety and passenger security laws with which the Company is required to comply. A thorough assessment of our cost base is currently underway to see where further efficiencies can be achieved.

Our joint venture property portfolio made a small profit due to ongoing investment in its asset base as against a profit of €1.8 million in 2002 when some significant asset sales were realised.

Aer Rianta International

The profit contribution from the Group's international operations decreased from €13.2 million in 2002 to €5.1 million last year. The principal cause of the decrease was Düsseldorf International Airport, where Aer Rianta's share of losses amounted to €7.45 million. There were continued strong performances from our international retail operations and from our investment in Birmingham International Airport. The combined airport investments continued to generate positive cash flows for the Group. The overall profit contribution from Düsseldorf Airport fell largely due to lower than anticipated passenger numbers, once-off exceptional gains in 2002 and provisioning against the carrying value of certain assets and other contingent liabilities. However, there are clear signs that passenger numbers at Düsseldorf are beginning to rise for the first time since 2001.

Great Southern Hotels

Great Southern Hotels experienced its third successive year of very difficult trading conditions. In line with trends elsewhere in the industry, room rates remained under pressure due to over capacity in the sector and minimal growth in Great Southern's core customer markets.

An in-depth analysis has now been completed of the structural, operational and marketing challenges faced by the Great Southern Hotels. Some of its recommendations are currently being implemented while others have to await clarification from Government until the completion of the restructuring of Aer Rianta.

Outlook

I am pleased to say that traffic has continued to grow strongly at the three airports during the first months of 2004 and we are currently anticipating another very busy year. New and existing airline customers continue to launch new routes and services to Dublin, Shannon and Cork and we thank them for their custom.

With regard to the ongoing restructuring of Aer Rianta, the management of the Company is working closely with the Department of Transport and our respective advisers to implement the Government's decision. Significant resources have been devoted over the last year in providing the detailed business and financial analysis required by the Department of Transport.

In the meantime during this time of uncertainty and restructuring of the Company it is essential that everyone at Aer Rianta continues to focus on the ongoing requirements of our expanding business and on those of our customers. My priorities as Chief Executive are centred on the key areas of customer service, the effective management of costs and the need for cost effective development of infrastructure at the airports to facilitate strong future growth in traffic. I intend to intensify the communication of the importance of these core business principles throughout the organisation.

Appreciation

I would like to pay tribute to management and staff throughout the Group for their hard work and dedication during the year, sometimes in difficult and uncertain circumstances. I also wish to thank our Chairman, Noel Hanlon and all members of the Board for their valued time, commitment and support.

Margaret Sweeney
Chief Executive
30 April 2004

57 million euro was invested in capital projects across the Aer Rianta Group in 2003. The largest project currently under construction is the new airport development at Cork.

Operations Review

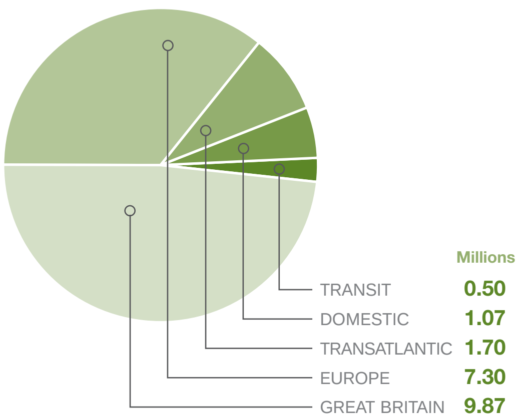
Airport Management

The past decade has witnessed unprecedented growth in passenger numbers at Cork, Dublin and Shannon airports.

At Dublin for instance, just under six million passengers passed through the Airport in 1993. By 2003, these numbers had shot upwards to 15.9 million. This trend continues at approximately 5% per year, significantly higher than the European average. Over the course of the decade the number of annual aircraft movements, i.e. landings and take-offs at the Airport rose by over 50% to 178,000 last year.

Shannon has also enjoyed substantial growth during this period despite the impact on transatlantic traffic of the events in the US in September 2001 and the Airport's declining importance as a transit facility for re-fuelling aircraft. Since 1993 the number of passengers passing through Shannon has increased from 1.7 million to 2.4 million last year. The number of transatlantic passengers has grown by 75% in the same period to 685,000 last year while traffic to and from Europe has increased by nearly 200% to 465,000 passengers.

PASSENGER NUMBERS BY SECTOR '03



Cork too has benefited from huge traffic growth. Ten years ago, passenger volumes through the Airport stood at approximately 723,000. Since then they have nearly trebled to close to 2.2 million while aircraft movements have increased by 78% to 54,267.

Last year saw more records broken at Dublin Airport where a total of 15.9 million passengers passed through the Airport, a 5% increase on 2002 levels. This continued growth was driven, to a significant extent, by the launch of 33 new routes and services from the Airport and the commencement of operations by ten airlines new to Dublin.

The European market provided the largest volume growth last year with more than 500,000 additional passengers, bringing the total to over 6.1 million. The transatlantic market rose by 27% to just over one million passengers. This growth was underpinned by a new US Airways service to Philadelphia and by the re-opening of the Aer Lingus service to Baltimore-Washington.

While the UK remains the largest market serviced from Dublin, passenger volumes grew by a more modest 1% last year. The domestic market grew by 4% to 676,000.

The first quarter of 2004 has seen a 10% increase in year-on-year passenger numbers at Dublin Airport and the number of new routes and services continues to grow. In all, over twenty new routes and services are due to launch in the first half of the year, including ten new Aer Lingus schedules to the UK and Europe and new routes and services to Rotterdam, Hamburg, Cologne and Stuttgart by the Dutch and German low cost carriers, Basiq Air, German Wings and Hapag Lloyd Express.

It was a record year for Shannon too, where amongst other significant milestones, total terminal traffic excluding transits grew by 4% to surpass the two million mark for the first time. Overall passenger numbers rose by 2% to 2.4 million, matching historic high levels set three years ago.

269,689

aircraft movements were recorded at the three airports during 2003. At Dublin Airport there was an average interval of 1.5 minutes between each landing and take-off.

New services launched in 2003 included, Aer Lingus to Baltimore-Washington, US Airways to Philadelphia and Ryanair to Glasgow-Prestwick. New charter programmes for winter and summer destinations included Alicante, Orlando, Verona, Agadir, Split, Salzburg, Dubrovnik and the Canary Islands.

The current year has started brightly at Shannon with terminal traffic another 3% higher in the first quarter. Continental Airlines launched a new summer service to New York–Newark.

At Cork Airport, passenger numbers grew by an impressive 16.4% last year to a record total of just under 2.2 million. It was the first year in which over 2 million passengers passed through Cork.

While the strong passenger growth was partly driven by a broad range of new scheduled and charter routes and services, there were three principal airline developments at Cork during 2003. BMI baby continued to develop services following the initial launch of an East Midlands service in late 2002. A daily Manchester service was added in May and subsequently increased to twice daily from October, when the airline also launched a daily Cardiff flight.

Aer Arann also continued to expand its services from Cork to a total of 28 daily flights. It replaced Aer Lingus on the key Cork/Dublin service in October and it now runs nine return flights daily on the route.

JetMagic, a new Cork-based airline was launched in April and at its peak serviced 13 routes to the UK and Europe. Unfortunately, though it succeeded in carrying 80,000 passengers by year-end and won much praise for the quality of its service, the airline ceased operations early in 2004, due to financial difficulties.

Nonetheless, the traffic outlook at Cork remains very promising and is more than 20% higher in the first quarter of 2004. New routes and services include three new direct Aer Lingus routes to Europe, and a twice-daily Aer Arann service to Belfast.

Infrastructure

A total of €57.1 million was spent on various capital projects across the Group last year. The most significant of these was the new development at Cork Airport. Board approval was granted in March, final contracts were signed in June and An Taoiseach, Bertie Ahern TD, officially turned the first sod later that month. The development, which is on course for completion in late 2005, involves the construction of a new 25,000 sq metre terminal building incorporating new airbridges and significant retail and catering space; a new fire station; new surface and multistorey car parks; and a new internal road circulation system. The project will also involve the replacement or upgrading of all power, water, gas and communications services at the Airport. This major investment will effectively provide the people of Cork and its environs with a new airport complex. As such it represents a major addition to the business and tourism infrastructure of the region.

A €115 million long-term loan agreement to part-fund the new development was signed by Aer Rianta and the European Investment Bank at Cork Airport during the year.

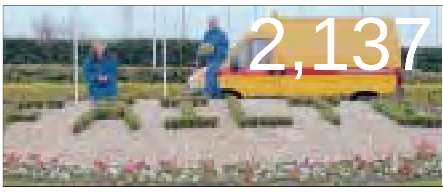
At Dublin Airport the focus last year was principally on plans for significant additional infrastructure requirements in the future while at Shannon Airport the emphasis was on essential upgrading and maintenance projects.

A Master Planning process for Dublin Airport was completed during the year. This complex body of work has been produced by some of the world's leading airport planners. It identifies options in terms of the infrastructure required to service the growth in passenger numbers going forward. The Master Plan is now being finalised and includes blueprints for new aprons and taxiways; significant additional terminal space and associated piers; new kerbsides; new internal roadways and car parks; and an integrated public transport hub including a metro station.

Work continued during the year on the preparation of a planning application to Fingal County Council for a new parallel runway. The new runway needs to be operational before 2010 to avoid a serious reduction in service levels to incoming and departing aircraft. It is expected that a planning application will be submitted during 2004.

Other projects at Dublin Airport included the refurbishment of Check-In areas 1 to 6; the installation of new heating, ventilation and air conditioning systems throughout the terminal building; the upgrading of air-conditioning systems for the retail areas in the "Street" and in Pier B; and the refurbishment of the ceiling in the baggage hall following the installation of hold baggage screening systems.

At Shannon Airport, further investment on the airfield, including apron reconstruction, and the upgrading of car and coach parks were the principal focus of capital spend last year.



2,137 hectares is the total area covered by Dublin, Shannon and Cork airports. This amount of land must be kept secure, mown, landscaped and cleaned in the interests of all users.

#01

LAND ACREAGE

Environment

Aer Rianta seeks to ensure that all operations, for which it has responsibility at its airports, are carried out to high environmental standards. Each of the Company's three airports has developed environmental plans and systems specific to its own needs and those of its neighbouring communities.

At Dublin Airport, in addition to continuous chemical analysis of all surface waters that flow through the site, a biodiversity study will commence in 2004 to analyse the ecology of the streams.

Independent environmental consultants were commissioned during 2003 to carry out a comprehensive study of ambient air quality at ten locations around Dublin Airport. These statistics will support our ongoing compliance with European legislation on air quality.

At Cork Airport, new water monitoring measures were put in place during the year while at Shannon Airport a detailed planning application was prepared for a new on-site sewage processing plant, costing €2.5 million. Planning permission was secured for the facility early in 2004, but is currently subject to planning appeal.

Community Relations

Aer Rianta is very aware of the issues that are of interest and concern to communities living and working close to its airports and a significant number of public meetings were held with local and neighbourhood representatives during the year.

At Dublin Airport these briefings principally focused on Aer Rianta's tracking and monitoring of aircraft flight paths and noise patterns, and on proposals to submit a planning application for a northern parallel runway during 2004.

At Shannon and Cork, consultations were held with local residents, business groups and representative bodies. The principal focus at Cork Airport was on providing information about the new terminal and airport development and its positive impact on Cork and the wider Munster region.

Safety and Security

Safety and security management continues to be a key priority for the Company. The Board Health and Safety and Security Committees met regularly throughout the year to monitor and review all matters pertaining to aviation safety, passenger security, and health and safety at Dublin, Cork and Shannon airports.

The Irish Aviation Authority, which regulates aviation standards in Ireland, has again confirmed our operating licences for 2004. The Authority completed an audit at Shannon Airport last year and confirmed our compliance with its licensing requirements.

An external review of the Airport Fire Services at Dublin, Cork and Shannon airports found that our management procedures complied with the required standards and compared very well with the best external regimes in this regard.

Each of the airports has active health and safety committees ensuring safe work practices throughout the Group. Inspectors from the Health & Safety Authority visited each airport regularly during the year and expressed general satisfaction with their findings.

Aer Rianta continues to invest significant time, training and finance to ensure it is fully compliant with the substantial body of new safety and security legislation introduced by the EU over the past two years.

The three airports are subject to regular audits by the European Civil Aviation Conference (ECAC), the US Federal Aviation Authority (FAA) and by the Department of Transport in Ireland. The Company has invested significantly in new systems and personnel to meet these audit requirements.

Since January 1, 2003, and in line with EU regulations, 100% Hold Baggage Screening has been in operation at the three airports ensuring that all checked-in luggage is subjected to an automated security examination process. All staff and all vehicles entering designated restricted areas are also subject to intensive security screening.

Additional Airport Search Unit (ASU) staff were recruited in 2003 at Dublin Airport in particular, to manage the twin challenge of more onerous passenger security screening procedures and growing passenger volumes. The Company also continues to invest in the latest technology and equipment to provide enhanced protection to all users of the airports. A new centralised access system is currently being installed for all staff and non-company workers at the three airports, who need to use restricted areas.

#02

DOG PATROLS

1,200 dog patrols are carried out each month. These highly-trained units assist in securing the airports.

Customer Service

The provision of high standards of customer service is a core objective for Aer Rianta. The Company understands fully that it has to adapt quickly and flexibly to the changing needs and expectations of its many customers, particularly those travelling through its airports. Aer Rianta is also mindful that the combination of more rigorous security requirements, rising numbers of passengers and growing pressure on space and resources at peak periods, can impact on customer satisfaction levels at certain times. We are working intensively with the airlines and other service providers to provide consistent standards of customer service across all key passenger focal points in the airports, including those for which Aer Rianta has no direct responsibility or control.

A voluntary service level agreement involving Aer Rianta and the Airline Operators Committee (AOC) was formally introduced in March 2003. This agreement commits participants to deliver minimum service standards across operations such as check-in queuing, security search queuing, baggage delivery and trolley availability. Performance levels are being measured by regular, independent surveys. Aer Rianta is currently consulting with the AOC with a view to publishing the results of these surveys.

The Passenger Services Council established in 2002 at Dublin Airport to provide passengers with a forum on service standards, met regularly through 2003. It is currently completing a “Passenger Charter,” which will advise passengers of the minimum service standard levels they can expect at the Airport and underpin Aer Rianta’s commitment to those standards.

At Shannon Airport many new customer-focused projects and initiatives were put in place including the provision of play areas for children, new public seating and the development of a customer comments and complaints handling system.

Despite the increasing pressure caused by strong passenger growth on its facilities and staff, Cork Airport won the “Best Irish Airport Award,” for the second successive year courtesy of the Air Transport Users Council of the Chambers of Commerce of Ireland. This accolade reflected the combined efforts of all service providers, supported by a management task force at weekends, to deliver high customer service standards as they await the completion of the new terminal and associated facilities.

Airport Retailing

Airport retailing is a core business for Aer Rianta. In addition to meeting the food, beverage and shopping demands of its customers and enhancing their visits to the airports, the sector contributes significantly to Group profits. The strong growth trend of recent years continued during 2003. Total retail, food and beverage sales at the three airports, including those of concessionaires, were 8% higher than the previous year at just over €187 million.

The Company continues to follow a twin-track strategy for its airport retailing business. For passengers on flights to destinations outside the EU, it offers top class duty and tax-free shopping, while for those travelling within the EU, the ‘Travel Value’ retail experience has been developed. Travel Value outlets offer very competitive prices on a wide range of high-quality brands and provide all passengers with an extra incentive to get to the airport in plenty of time for their flights. The accession of ten new member countries to the EU in May of 2004 will have an inevitable impact on the contribution of Aer Rianta’s duty-free retail business, which the Company will work hard to mitigate by focusing more intensively on the ‘Travel Value’ business.

The ‘Street’, Dublin Airport’s prestigious shopping thoroughfare continues to attract new and existing customers. With 24 separate outlets contributing to a “down-town” atmosphere, there are plans to further develop the area during 2004. Two new shopping units – a health store and the first airport-based Jean Scene outlet, retailing FCUK merchandise – opened recently while the Perfumery and Cosmetic Store will be further enhanced and their stock of leading branded fragrances expanded.

Aer Rianta’s excellent reputation in airport retailing was recognised again last year with the awarding of a second, successive, prestigious ‘Frontier’ award at the TFWA World Exhibition in Cannes. In this case it was for the best partnership initiative in conjunction with Irish Distillers and the Irish Film Board for a major Irish whiskey promotion.

At Shannon Airport, combined duty-free and Travel Value sales continued to rise. The existing airside perfume and cosmetics retail space was refurbished, while the terminal concourse landside welcomed the opening of a new Hughes & Hughes bookshop and newsagency.

4,467 trolleys are provided at the three airports to help passengers transport luggage comfortably and quickly on departure and arrival.

#03

BAGGAGE TROLLEYS

187

million euro was generated in total retail, food and beverage sales at the three airports in 2003, including those of concessionaires. Total retail sales were 8% higher than in 2002.

Cork Airport enjoyed very strong retail sales growth across all sectors reflecting the buoyant increase in passenger numbers generally. Here, the jewellery and confectionery areas were refurbished while detailed planning continues apace for the opening of up to 3,000 sq metres of space in the Airport's new terminal development for shopping, food and beverages.

The provision of a wide range of high quality food and beverage facilities represents a key service by Aer Rianta to all users of the airports. These services are operated by concessionaires at Dublin and Cork and provided directly by Aer Rianta itself at Shannon. Total sales continued to rise strongly last year.

At Dublin Airport, the final phase of the new catering development on the mezzanine level was completed with the opening of amongst others, a Bewley's Express outlet, the first airport-based 'Nude' gourmet food outlet, a food hall and the full service Brasserie/Bar facility incorporating a suite of fully-fitted business meeting rooms.

At Shannon Airport, the Company has sought expressions of interest from a number of specialised catering companies with a view to exploring new strategic directions for catering operations.

Aer Rianta International

Aer Rianta International (ARI) is regarded as a global force in airport ownership and duty-free retailing. The profit contribution from the Group's international operations decreased from €13.2 million in 2002 to €5.1 million last year. The principal cause of the decrease was Düsseldorf International Airport, where Aer Rianta's share of losses amounted to €7.45 million.There were continued strong performances from our international retail operations and from our investment in Birmingham International Airport. The combined airport investments continued to generate positive cash flows for the Group. The overall profit contribution from Düsseldorf Airport fell largely due to lower than anticipated passenger numbers, once-off exceptional gains in 2002 and provisioning against the carrying value of certain assets and other contingent liabilities. However there are clear signs that passenger numbers at Düsseldorf are beginning to rise for the first time since 2001.

During the year ARI entered into a number of duty free concessions, either in its own name or with local partners. These overseas operations are expected to commence trading during 2004.

Aer Rianta has shareholdings, through joint venture arrangements, in three overseas airports; Birmingham International Airport in the UK; and Flughafen Düsseldorf GMBH (Düsseldorf International Airport) and Hamburg Airport, both in Germany.

Birmingham International Airport (BIA) handled a record 9.1 million passengers in 2003, an increase of 13.1% over 2002. This growth was achieved in an increasingly competitive market. The UK Department of Transport issued a White Paper, "The future of Air Transport" in December and BIA has been identified as the preferred site for a new runway to meet the growing demand for air travel to and from the midlands of the UK. BIA will now prepare a draft Master Plan for the period to 2030 to investigate the best ways to develop the opportunity presented.

Düsseldorf International Airport handled 14.3 million passengers in 2003, a reduction of 3% on the previous year. While it maintained its position as the third largest commercial airport in Germany, Düsseldorf continued to be affected by the sluggish nature of the German economy and consequential lower levels of European air traffic. But there were also some significant positive milestones during the year. These included the opening of the new Terminal C in May, which successfully completed the overall reconstruction of the Airport, and the decision to develop a new business park – Düsseldorf Airport City – over the next ten year period. Traffic is also beginning to improve and was 7% higher year-on-year in February 2004.

Hamburg Airport continues to expand at almost double the rate of the average growth of all other German airports. Passenger numbers rose by 6.5% in 2003, to 9.5 million. Progress was maintained on the construction of the new Terminal 2, which is due for completion in early 2005 and which will increase capacity to a projected 20 million passengers per annum.

17, the number of locations overseas where Aer Rianta International has a shareholding or retail presence. The company owns a minority shareholding in Birmingham International Airport in the UK and in Düsseldorf and Hamburg airports in Germany.

#04

AER RIANTA INTERNATIONAL

437

million euro was generated in turnover by the Group last year an increase of 3.8%.

Overseas Retailing

ARI-associated companies at Moscow, St. Petersburg and in the Ukraine again produced strong results. Aer Rianta International (Middle East) W.L.L. also grew its business and achieved record results during the period.

Our shareholding in Hellenic Duty Free Shops in Greece was sold in December 2003 and the consultancy services role we provided to the duty free operation came to an end.

In June 2003, our joint venture company established with Saveria JFK Inc., entered into a seven-year concession to operate 14 speciality fashion, gift and gourmet shops at the new Terminal 4 in JFK Airport. The full complement of retail units will open during the first-half of 2004.

Our subsidiary in Canada, Aer Rianta International (North America) Inc., had an improved trading performance despite operating in a difficult environment. Increased security measures in the North American market, with resultant delays in the check-in process, have considerably reduced the "dwell-time" for passengers in our retail outlets. We have been successful in renegotiating concession terms and contract extensions at a number of our Canadian locations.

During the year under review, we pursued a number of business development opportunities and were successful in concluding preliminary agreements to open new retail shops in a number of different locations.

Great Southern Hotels

Great Southern Hotels has been one of Ireland's premier hotel groups since 1845 and has established a unique tradition of service to its guests over that period.

Turnover increased by 3.4% to €44.5 million in 2003. Group profit for the financial year at €2.85 million was over €1 million (27%) lower than 2002 and included an exceptional item of €3.85 million, before tax, (2002: €3.26 million) arising from the disposal of the former Torc Great Southern Hotel in Killarney.

Room rates in all locations came under pressure as the combination of increased hotel capacity and modest growth from key overseas markets led to widespread discounting. US coach tour business was hit for much of 2003 by SARS and events in Iraq but was showing modest signs of recovery by year-end. Modest growth in UK business was recorded while Continental Europe remained static overall. Some recovery is expected in 2004 but much will depend on the US market where the weakness of the dollar at the end of 2003 was a concern.

The company currently owns eight hotels and has a 25% shareholding in the four-star City Hotel Derry, which it manages. The Great Southern Hotel Eyre Square re-opened in May after major renovation. The Great Southern Hotel Killarney, entirely renovated in 2001/2002, will celebrate its 150th anniversary in 2004 and is on course for a very successful year. The expanded Great Southern Hotel at Dublin Airport is well positioned to benefit from the economic growth forecast for 2004 while the Cork Airport hotel is performing in line with expectations as the major redevelopment of the Airport and expansion of the Business Park get underway.

1,200 rooms across the Great Southern Hotels Group for business and leisure customers.

#05

ROOMS

2,352

full time equivalent staff were employed by Aer Rianta at Dublin, Shannon and Cork airports in 2003, helping to keep the airports running efficiently, 24 hours a day, every day.

Human Resources

Aer Rianta is committed to training its staff for the 24-hour, year-round requirements of managing airports, across a range of technical, professional, retail and service disciplines. The Company facilitates staff to work to their full potential in a safe and comfortable working environment.

Aer Rianta's human resources policy involves significant investment in technology support systems and staff training programmes covering areas such as airside safety and security, customer service and IT. A new performance management process was launched for managers in January 2003. An equality review, supported and implemented by the Equality Authority on behalf of the Department of Justice, Equality & Law Reform, was carried out across the Company in 2003. This review gives us a detailed insight into how our staff view the way in which management carries out the Company's human resources policies, practices and procedures.

Total payroll costs before capitalised costs for 2003 amounted to €146.1 million, including employer contributions of €19.2 million for social welfare and superannuation. The first phases of Sustaining Progress 2002 were paid throughout the year and are included in these figures.

Full-time equivalent (FTE) staff numbers were 3,387 in 2003 compared with 3,431 in 2002. The breakdown of the average FTE staff numbers for 2003 is:

Airports	2,352
Hotels	684
International	351
Total	**3,387**

Property

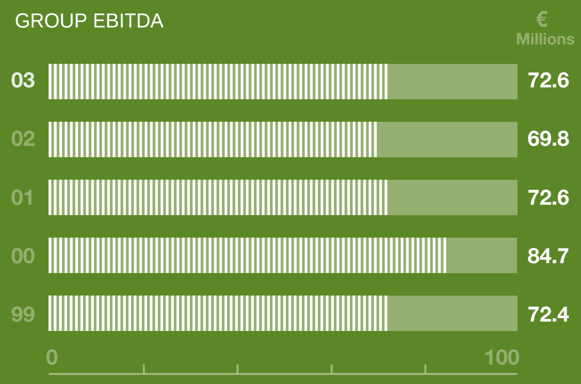
Revenues from the Group's property interests at the three airports rose by 2% last year to €37.6 million. The first phase of the highly successful Cork Airport Business Park has now been completed by Omnistone Ltd., in which Aer Rianta has a 25% shareholding. The next phase will be undertaken by a new joint venture company, Brooklyn Properties Ltd, in which Aer Rianta has a 37.5% holding. Planning permission has been obtained for 320,000 sq feet of office accommodation to add to the 480,000 sq feet in the first phase.

35,000 sq metres, the amount of floor space which needs to be cleaned on a continuous basis throughout the terminal building at Dublin Airport.

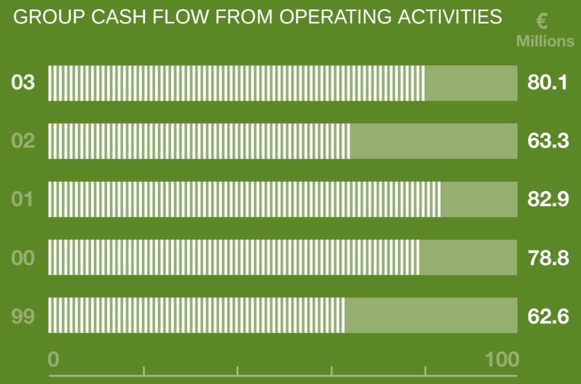
#06

CLEANING

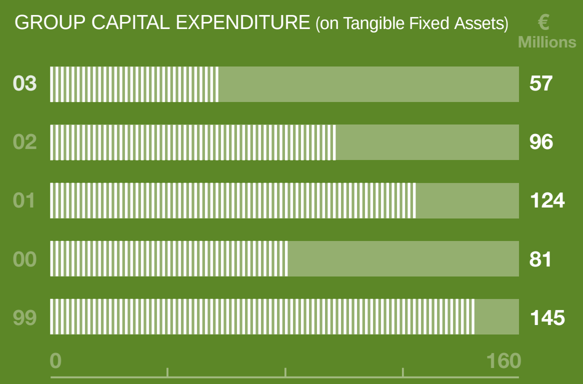
GROUP EBITDA



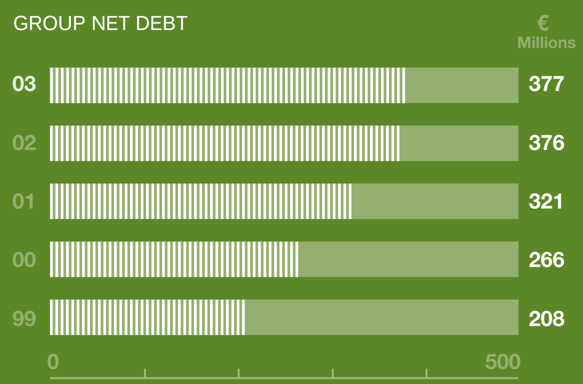
GROUP CASH FLOW FROM OPERATING ACTIVITIES



GROUP CAPITAL EXPENDITURE (on Tangible Fixed Assets)



GROUP NET DEBT



Financial Review

Group Financial Highlights

	2003	2002	2001
Passengers			
Total ('000)	**20,439**	19,313	18,514
Growth (%)	**5.8%**	4.3%	3.2%
	€'m	€'m	€'m
Profitability (€'m)			
Turnover	**437**	421	438
Group EBITDA[1]	**73**	70	73
Group profit for the financial year	**20**	36	12
Cash Flow (€'m)			
Cash flow from operating activities	**80**	63	83
Cash outflow for the year before financing	**0**	(53)	(54)
Balance Sheet (€'m)			
Gross assets	**1,021**	1,045	927
Shareholders' funds	**403**	403	372
Cash	**79**	97	45
Net borrowings	**377**	376	321
Capital Expenditure & Dividends (€'m)			
Capital expenditure	**57**	96	124
Dividends paid/proposed	**13**	0	0

[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.

An estimated 4 million people visited Dublin, Shannon and Cork airports last year, either to wave goodbye to departing passengers or to greet them on their way in.

#07

AIRPORT VISITORS

Profitability

Group EBITDA for the year was up 4% to €72.6 million. Net exceptional profits (before tax) - Group and share of associates - reduced to €4.9 million from €18.1 million in 2002. Group profit for the financial year was €20.2 million, down from €36.2 million in 2002.

- **Passenger volume and growth**
  Passenger numbers at the three airports of 20.4 million increased by 5.8%. Dublin Airport increased passenger throughput by three quarters of a million passengers (+5.1%) to 15.9 million. Cork had a very strong growth in its British and European markets and passenger numbers grew by 16.4% to 2.2 million as a result. Shannon grew by a more modest 2% to 2.4 million.

- **Turnover**
  Group turnover was €436.9 million, 3.8% up on the previous year. Despite strong passenger volume growth of 5.8%, turnover from airport charges increased by only 1.5%, reflecting the regulatory price cap. Overall airport charges per passenger at Dublin Airport fell to €5.00, a reduction of 18% in real terms since the introduction of the regulatory price cap in 2001. Aggregate turnover from other activities increased by almost 5% on the previous year.

- **Operating costs**
  Total Group operating costs (excluding cost of sales, depreciation and amortisation) increased by €10.6 million (4.5%) to €247 million. Three items accounted for some €6 million of this increase – regulatory charges relating to the Commission for Aviation Regulation (+€3.3 million), and insurance and security payroll cost increases totalling €2.6 million, to meet the additional requirements post September 2001. Excluding these items, other operating costs increased by 2.2%. Group payroll costs increased by 1.7%.

- **Depreciation and amortisation**
  Depreciation and amortisation increased by €6.5 million (18%) due to continued capital investment, the accelerated write off of certain assets and increased depreciation on hotel properties.

- **Associates & joint ventures**
  The Group's total share of operating profits (before interest and taxation) from associates and joint ventures fell to €19.1 million from €42.6 million. This was primarily due to a reduction in profits from non-recurring items, including reduced associates' exceptional items of €14.4 million. The Group's share of associates' operating profits from ordinary activities was €20.8 million, down from €27.6 million in 2002. Joint venture profits of €0.6 million were lower by €2.4 million due primarily to a 2002 land sale.

- **Group exceptional items**
  Group exceptional profits arose primarily from sale of certain properties. These amounted to €6.9 million, after tax, in 2003 (2002: €5.3 million).

- **Interest**
  Group net interest charge (excluding associates/joint ventures) increased by €2.2 million (10%) to €23.6 million arising from funding of the ongoing capital investment programme. The Group's share of net interest cost of associates and joint ventures increased by €0.2 million to €11.7 million.

- **Taxation**
  Taxation charge decreased by €12.7 million to €1.5 million from €14.2 million in 2002 reflecting, in part, corporation tax refunds in respect of prior years. Taking into account the different corporation tax rates applicable across the Group and associates, both domestically and internationally, the effective tax rate in 2003, excluding the effect of prior year over-provisions, was 28% (2002: 31%).

- **Dividends**
  Dividends of €7.2 million were declared and paid to the Minister for Finance during the year in respect of 2002 results. The Directors propose a final dividend of €6.1 million in respect of year ended 31 December 2003.

Cash Flow & Funding

Net cash inflow from operating activities was €80.1 million (2002: €63.3 million). Funds from operations[1] doubled to €55.7 million from €28.9 million.

Group net debt increased marginally to €377.4 million, up €1.6 million on 2002 levels. Free cash was €79.3 million at year-end (2002: €96.9 million).

Group interest cover was 3.1 times (2002: 3.3 times) based on Group EBITDA divided by the Group net interest charge. Net debt reduced to 5.2 times Group EBITDA (2002: 5.4 times). Details of debt maturity, un-drawn facilities and interest rate management are set out below.

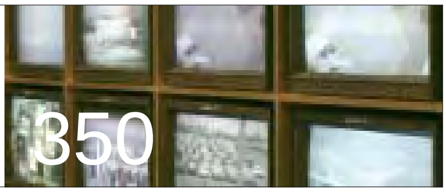
The Group has a credit rating from Standard & Poor's (S&P) of A/Negative/A-1 on a stand-alone credit quality basis. The senior unsecured €250 million bond issued by Aer Rianta Finance plc, and guaranteed by Aer Rianta cpt, has a rating of A. S&P lowered its rating from A+/Negative/A-1 to the current rating in July 2003 following the Government's announcement to establish three separate independent and autonomous airport authorities generating additional regulatory and political uncertainty.

[1] Funds from operations is comprised of cash inflow from operating activities plus dividends received less interest, tax and restructuring payments.

#08

HAZARDOUS ITEMS

350 kilogrammes, the average weight of potentially hazardous items collected from departing passengers at Dublin Airport every month.



Balance Sheet

Gearing (measured by expressing net debt as a percentage of the aggregate of net debt and ordinary shareholders' funds) remained at 48% in the year (2002: 48%). Shareholders' funds decreased slightly (after the effects of retranslation) to €402.9 million (2002: €403.3 million).

Gross assets were €1.021 billion (2002: €1.045 billion). Fixed and financial assets were €0.889 billion (2002: €0.892 billion).

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 with a substantial portion of borrowings maturing in more than five years. Some 79% of the Group's borrowings at the end of 2003 were due to mature in more than five years. Un-drawn committed facilities were €191 million at the year-end.

- Interest rate risk
  The Group has a substantial portion of its debt denominated as long-term fixed interest debt, thus minimising exposure to interest rate fluctuations. This includes a €250 million Eurobond (2011) and a long-term €125 million loan from the European Investment Bank. At the end of 2003, 87% of the Group's borrowings were at fixed rates at an average rate of 5.9%.

- Foreign exchange risk management
  The Group's Irish businesses are predominately euro denominated. The Group does not carry foreign currency exposures other than in the normal course of business. 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. The Group operates a US dollar based aviation fuel business at Shannon. This fuel business is conducted so as to minimise exposure to movements in the euro/US dollar exchange rate and fuel price movements, for example by denominating both fuel sales and purchases in US dollars. Currency exposures are disclosed in Note 25.

  The Group has a number of overseas subsidiary and associated undertakings, as set out in Note 11 of the financial statements. The principal foreign exchange exposures arising from these investments are in Sterling, US dollars and Canadian dollars. Exchange differences on translation of overseas investments are dealt with in the Statement of Total Recognised Gains and Losses. The Group's policy is to hedge identified transaction exposures arising from these undertakings (principally dividends and management charges denominated in foreign currencies).

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

ROUTE NETWORK — DUBLIN ABERDEEN 491 AGADIR 2579 ALGHERO 1794 ALICANTE 1732 ALMERIA 1864 AMSTERDAM 757 ANTALYA 3388 ASTURIAS 1118 ATLANTA 6338 BALTIMORE 5410 BARCELONA 1478 BASLE 1170 BERGAMO 1433 BERLIN 1312 BILBAO 1151 BILLUND 985 BIRMINGHAM 312 BLACKPOOL 216 BODRUM 3161 BOLOGNA 1614 BORDEAUX 1037 BOSTON 4818 BOURGAS 949 BOURNEMOUTH 424 BRISTOL 328 BRUSSELS 780 BRUSSELS SOUTH 775 BUDAPEST 1914 CARDIFF 299 CATANIA 2415 CHAMBERY 1238 CHICAGO 5914 COLOGNE 958 COPENHAGEN 1238 CORFU 2501 CORK 226 DALAMAN 3274 DERRY 188 DONEGAL 182 DUBROVNIK 2244 DÜSSELDORF 917 EDINBURGH 343 EXETER 354 FARO 1819 FRANKFURT 1087 FUERTEVENTURA 2854 FUNCHAL 2458 GALWAY 186 GENEVA 1192 GENOA 1487 GERONA 1440 GLASGOW 300 GLASGOW PRESTWICK 296 GOTHENBURG 1256 GUERNSEY 510 HAMBURG 1075 HELSINKI 2029 HERAKLION 3168 IBIZA 1719 INNSBRUCK 1423 ISLE OF MAN 141 IZMIR 3016 JERSEY 553 KEFALINIA 2260 KEFLAVIK 1499 KERRY 266 KITTILA 2286 KNOCK 191 KOS 3168 LANZAROTE 2774 LARNACA 3725 LAS PALMAS 2927 LEEDS BRADFORD 299 LISBON 1642 LIVERPOOL 215 LJUBLJANA 1683 LONDON CITY 466 LONDON GATWICK 480 LONDON HEATHROW 449 LONDON LUTON 426 LONDON STANSTED 469 LOS ANGELES 8265 LOURDES 1229 LUXEMBOURG 960 LYON 1183 MADRID 1432 MAHON 1699 MALAGA 1850 MALTA 2533 MANCHESTER 267 MILAN LINATE 1429 MILAN MALPENSA 1377 MINSK 2245 MONASTIR 1937 MONTICHIARI 1491 MOSCOW 2798 MUNICH 1389 MURCIA 1762 NAPLES 2077 NEW YORK 5123 NEWARK 5139 NEWCASTLE 347 NICE 1466 NOTTINGHAM EAST MIDLANDS 345 ORLANDO SANFORD 6519 OSLO-GARDERMOEN 1293 PALMA 1676 PAPHOS 3666 PARIS BEAUVAIS 778 PARIS DE GAULLE 787 PARIS ORLY 798 PERPIGNAN 1368 PHILADELPHIA 5238 PISA 1629 PLOVDIV 2622 PLYMOUTH 368 PRAGUE 1469 REUS 1475 RHODES 2685 RIGA 1948 ROME 1885 ROME CIAMPINO 1892 ROTTERDAM 746 SALOU 1374 SALZBURG 1493 SEVILLE 1779 SHANNON 196 SLIGO 174 SOUTHAMPTON 434 SPLIT 1982 STOCKHOLM 1626 STUTTGART 1203 SWANSEA 253 TEESSIDE 352 TEL AVIV 4036 TENERIFE 2942 TORONTO 5276 TOULOUSE 1225 TRIESTE 1648 TURIN 1359 VALENCIA 1609 VENICE 1603 VERONA 1523 VIENNA 1703 WARSAW 1830 ZAKINTHOS 2709 ZURICH 1240 **CORK** AGADIR 2397 ALICANTE 1634 ALMERIA 1729 AMSTERDAM 906 BARCELONA 1425 BELFAST 340 BIRMINGHAM 463 BODRUM 3252 BRISTOL 409 CARDIFF 368 HERAKLION 3256 DUBLIN 226 DUBROVNIK 2257 EAST MIDLANDS 511 EDINBURGH 561 FARO 1654 FUERTAVENTURA 2677 GLASGOW 515 GRAN CANARIA 2721 INNSBRUCK 1520 LANZAROTE 2575 LARNACA 3825 LEEDS BRADFORD 511 LONDON GATWICK 579 LONDON HEATHROW 555 LONDON STANSTED 598 LOURDES 1158 MAJORCA 1621 MALAGA 1720 MALTA 2543 MANCHESTER 449 MENORCA 1653 MILAN 1477 NAPLES 2121 PARIS 844 PLYMOUTH 345 PRAGUE 1605 REUS 1401 SALZBOURG 1603 SOUTHAMPTON 503 SPLIT 2075 TENERIFE 2681 TOULOUSE 1176 TUNISIA 2226 VERONA 1591 ZAKYNTHOS 2771 ZURICH 1320 **SHANNON** AGADIR 2486 ALICANTE 1727 AMSTERDAM 929 ANDORRA 1376 ATLANTA 6181 BALTIMORE 5253 BERLIN 1497 BIRMINGHAM 487 BOSTON 4659 BRUSSELS CHARLEROI 945 CHICAGO 5778 COSTA ALMERIA 1834 MALAGA 1814 REUS 1375 DUBLIN 196 DÜSSELDORF 1086 FARO 1745 FRANKFURT 1585 FUERTEVENTURA 2729 GLASGOW PRESTWICK 458 GRAN CANARIA 2800 HAHN 1166 HAMBURG 1265 LANZAROTE 2656 LONDON HEATHROW 596 LONDON STANSTED 630 LYON 1278 MAJORCA 1711 MANCHESTER 451 MARSEILLE 1468 MENORCA 1743 MINSK 2439 MUNICH 1539 NANTES 810 NEW YORK JFK 4959 NEWARK 4981 ORLANDO 6385 PARIS BEAUVAIS 900 PARIS DE GAULLE 905 PHILADELPHIA 2110 SALZBURG 1649 STUTTGART 1352 TORONTO 5134 TOULOUSE 1263.

416,284

kilometers, the total aggregate distance to all destinations served out of Dublin, Shannon and Cork airports.

Directors' Report & Financial Statements

for the year ended 31 December 2003

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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 2003.

Principal Activities

The Group's principal activities are the development, operation and management of the three principal Irish airports – Dublin, Shannon and Cork, Irish and international airport retail management and international airport investment. The Group is also involved in the hotel industry in Ireland through its subsidiary, Great Southern Hotels Group.

Review of the Business and Future Developments

Detailed commentaries on performance for the year ended 31 December 2003, including information on recent events and likely future developments, are contained in the Chairman's statement and the Chief Executive's review.

Government Announcement

In July 2003, the Minister for Transport announced that the Government had decided, having regard to the commitments in the Agreed Programme for Government, to proceed with arrangements, including the necessary changes to legislation, to establish within 12 months Shannon, Cork and Dublin airports as fully independent and autonomous authorities under state ownership.

The full scope of the proposals approved by Government have yet to be finalised and will necessitate changes in legislation, which have yet to be published. Accordingly it is not possible for the directors to determine the impact of any proposed new arrangements on the financial position of the Group. Consequently, no account has been taken in these financial statements of the impact, if any, of the Government's proposals.

Results for the Year and Dividends

As set out below the financial results of the Group for the year show a profit for the financial year amounting to €20.2 million compared with €36.2 million for 2002.

The directors propose the payment of a final dividend of €6.074 million amounting to €0.0414 per share in respect of the year ended 31 December 2003.

Dividends of €7.245 million were paid to the Minister for Finance during the year in respect of the year ended 31 December 2002. Details of the results for the year are set out in the Group profit and loss account and related notes.

Corporate Governance

The directors continue to be committed to maintaining the highest standards of corporate governance. Set out below are details of how the relevant principles of good governance contained in "The Combined Code: Principles of Good Governance, and Code of Best Practice", issued in 1998 by the Hampel Committee ("the 1998 Combined Code"), are applied in Aer Rianta. The directors believe that the application of these principles also 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 directors welcome the publication in July 2003 of the revised Combined Code on Corporate Governance ("the 2003 FRC Code"). Compliance with the 2003 FRC Code is not required in the current year. The directors are considering the implications of the revised code for the Group and will report on compliance with the provisions of the 2003 FRC Code, insofar as they are applicable to the Group, in the 2004 Annual Report.

The following paragraphs deal with the Group's compliance with the 1998 Combined Code.

The Board and Committees

The Group is headed by an effective Board, which currently comprises eight non-executive directors, including three employee directors, and one executive director (Chief Executive). The roles of the Chairman and Chief Executive are separate and all of the non-executive directors are independent of management. The Minister for Transport, with the consent of the Minister for Finance, appoints the Chairman and the

	2003 € million	2002 € million
Group operating profit	29.6	33.3
Share of operating profit of associates and joint venture	19.1	42.6
Group profit before exceptional items	48.7	75.9
Group exceptional items (Note 4)	7.3	6.1
Group profit before interest	56.0	82.0
Interest (net)[1] – Group, associates and joint venture	(34.5)	(31.6)
Group profit before taxation	21.5	50.4
Tax – Group, associates and joint venture	(1.5)	(14.2)
Group profit after taxation	20.0	36.2
Minority interest	0.2	–
Profit for the financial year	20.2	36.2

[1] Includes income from other financial assets

Report of the directors continued

non-executive directors to the Board. The employee directors are appointed for a term of up to four years following a nomination and election process under the Worker Participation (State Enterprises) Acts, 1977 and 1988. Other non-executive directors are appointed for terms not exceeding five years. The Chief Executive is appointed by the Board of Directors of the Company and is an ex officio member of the Board. Mr. Patrick Shanahan and Mr. Joe Gantly were appointed to the Board of Aer Rianta on 28 July 2003. Mr. John Burke (Chief Executive) retired as a director on 31 December 2003. Ms. Margaret Sweeney was appointed to the office of Chief Executive and to the Board with effect from 1 January 2004.

A scheduled meeting of the Board is usually held each month, except August. Additional meetings are convened as required. The Board is responsible for the proper management of the Group and takes all significant strategic decisions and retains full and effective control while allowing operating management sufficient flexibility to run the business efficiently and effectively within a centralised reporting framework.

The Board has reserved certain items for its review including, inter alia, the approval of the annual financial statements, budgets, corporate plan, significant acquisitions and disposals, investments in joint ventures, significant contracts, property transactions, major investments, significant capital expenditure and senior management appointments. The Group has a comprehensive process for reporting management information to the Board. The Board is provided with monthly information, which includes key performance and risk indicators for all aspects of the business.

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, if necessary, at the Group's expense. On appointment, all directors are provided with briefing documents on the Group and its operations as well as relevant training.

Ms. Freda Hayes is the Senior Independent Non-Executive Director.

Board Committees

The Board has activated an effective committee structure to assist in the discharge of its responsibilities. Details in relation to the various committees that operated during 2003 and their current board membership is set out below.

Audit Committee

Mr. Liam Meade, Chairman, Ms. Freda Hayes and Mr. Pat Fitzgerald. This committee normally meets at least four times a year and operates under formal terms of reference and an audit charter. The committee may review any matters relating to the financial affairs and internal control arrangements of the Group.

Health and Safety Committee

Mr. Noel Hanlon, Chairman, Ms. Margaret Sweeney, Mr. Pat Fitzgerald, Mr. Peter Dunne and Mr. Cecil Brett. This committee monitors and reviews matters in relation to aviation safety, and health and safety at work at each of Dublin, Shannon and Cork airports.

Remuneration Committee

Mr. Noel Hanlon, Chairman, Ms. Freda Hayes and Mr. Liam Meade. This committee determines and approves remuneration and bonus arrangements for the senior management group. Details of directors' fees and emoluments are set out in note 6 to the financial statements in accordance with the requirements of the Companies Acts, 1963 to 2003.

Security Committee

Mr. Noel Hanlon, Chairman and Ms. Margaret Sweeney. This committee monitors and reviews matters in relation to security at Dublin, Shannon and Cork airports.

Directors' and Secretary's Interests

The directors and secretary had no beneficial interest in the shares of the Company or in those of its subsidiaries at any time during the year or the preceding financial year.

The Board is satisfied that its non-executive directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. There was no significant contract between any of the directors and Aer Rianta or any of its subsidiaries during the year.

Directors' Remuneration

Fees for directors are determined by the Minister for Transport, with the consent of the Minister for Finance. The remuneration of the Chief Executive is determined in accordance with the arrangements issued by the Department of Transport for determining the remuneration of Group Chief Executives of Commercial State Bodies under its aegis and is subject to the approval of the Remuneration Committee and the Minister for Transport. A proportion of the Chief Executive's remuneration is performance-related and, in this way, is linked to Group objectives and strategies.

Audit Committee and Auditors

The Board maintains an objective and professional relationship with the Group's auditors. The Audit Committee, a formally constituted committee of the Board, is comprised of non-executive directors. Its written terms of reference deal clearly with its authority and its duties. The Audit Committee is responsible to the Board for the review of internal financial controls and the scope and performance of the Group Internal Audit function. It also reviews the scope and results of the external audit and the nature and extent of the services provided by the external auditors. The Chairman of the Audit Committee reports to the Board on all significant issues considered by the committee and the minutes of its meetings are circulated to all directors.

Accountability and Audit

The directors acknowledge their overall responsibility for establishing and maintaining the system of internal control throughout the Group.

Report of the directors continued

The system of internal control comprises those ongoing processes for identifying, evaluating and managing the significant risks faced by the Group in pursuing its business objectives. 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.

Management are responsible for the identification and evaluation of significant risks applicable to their areas of business together with design and operation of suitable internal controls. As part of this 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 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 supported by detailed controls and processes, are as follows:

- active Board involvement in assessing key business risks faced by the Group and determining the appropriate course of action for managing these risks;
- the putting in place of a formalised risk reporting system;
- a schedule of items reserved to the Board for review as previously outlined;
- 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 formal code of business ethics;
- 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;
- representation at Board level in the Group's principal associates and joint ventures;
- 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;
- an Audit Committee, comprised of three non-executive directors including one employee director, 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;
- full and unrestricted access to the Audit Committee for internal and external audit;
- a Group Aviation Safety and Standards function which monitors and reports on aviation safety and security standards and operational procedures at the airports;
- a Health and Safety Committee that monitors and reviews matters in relation to aviation safety, and health and safety at work at the airports;
- a Security Committee that monitors and reviews matters in relation to security at the airports.

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). In particular, the Board has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed. Associated and joint venture companies are considered as part of the Group's on-going 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 as a consequence of the Government announcement in July 2003 (see page 30).

Compliance Statement

The Group has been in compliance with the Code of Best Practice provisions of the Combined Code relevant to it throughout the financial year under review and up to the date of this report other than as follows:

- The Minister for Transport, with the consent of the Minister for Finance, appoints the Chairman and the non-executive directors to the Board. The employee directors are appointed for a term of up to four years following a nomination and election process under the Worker Participation (State Enterprises) Acts, 1977 and 1988. The Chief Executive is appointed by the Board of Directors of the Company and is an ex officio member of the Board. As a result the Board is satisfied that the provisions in relation to a Nomination Committee and director re-election do not apply.
- 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 2003 and the Department of Finance. However, these disclosures do not extend to those contained in the Combined Code.

Report of the directors continued

Companies (Auditing and Accounting) Act, 2003

The directors note the passing into law, in December 2003, of the Companies (Auditing and Accounting) Act, 2003. The Act includes certain provisions which have not yet become effective, which will require that the directors make two statements in the Report of the Directors. These are:

- A policy statement setting out how the Company seeks to ensure that it complies with laws and regulations relevant to the Company. This statement should be reviewed at least every 3 years; and
- An annual statement on compliance with relevant laws and regulations, which is subject to review by the Company's auditors.

The date from which these and certain other provisions of the Act are expected to apply has not yet been determined. However, it is the intention of the directors to ensure they are in full compliance with all relevant provisions of the Act.

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 well being of the Group's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act, 1989 imposes certain requirements on employers and all relevant companies within the Group have taken the necessary action to ensure compliance with the Act, including the adoption of safety statements.

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 11.

Prompt Payments Act

Aer Rianta'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 is 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 by number and value 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.

Transition to International Financial Reporting Standards (IFRS)

The Group may, subject to legislation, be required to adopt IFRS for the financial year commencing 1 January 2005 in line with European Union requirements. The changes identified to date which may impact on the consolidated financial statements arise on accounting for deferred taxation, pension benefits and goodwill. Several important IFRS are not yet finalised and, as a consequence, it is difficult to assess the full impact of the changes upon the Group's financial performance and financial position as well as any necessary system changes which may be required. The IFRS to be applied by Irish and UK reporting entities beginning on or after 1 January 2005 will be finalised during 2004. The Group continues to monitor these developments.

Auditors

In accordance with Section 160(2) of the Companies Act, 1963, the auditors, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board
Noel Hanlon Chairman
Liam Meade Director
30 April 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which, in accordance with applicable Irish law and accounting standards, give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2003 and all Regulations to be construed as one with those Acts. They have general responsibility 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.

On behalf of the Board
Noel Hanlon Chairman
Liam Meade Director
30 April 2004

Independent auditors' report to the members of Aer Rianta cpt

We have audited the financial statements on pages 36 to 62. This report is made solely to the Company's members, 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 members those matters we are required to state to them in an auditors' 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 members, 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 are responsible for preparing the annual report. As described on page 34, this includes responsibility for preparing the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. As also required by the Acts, we state whether we have obtained all the information and explanations we require for our audit, whether the Company's balance sheet is in agreement with the books of account and report to you our opinion as to whether

- the Company has kept proper books of account;
- the report of the directors is consistent with the financial statements;
- at the balance sheet date a financial situation existed that may require the Company to hold an extraordinary general meeting on the grounds that the net assets of the Company, as shown in the financial statements, are less than half of its share capital.

We also report to you if, in our opinion, information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We review, at the request of the directors, whether the voluntary statement on page 32 reflects the Group's compliance with the seven provisions of the Combined Code that the Irish Stock Exchange specifies for review by auditors, and we report if it does not. We are not required to consider whether the Board's statements on internal controls 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, including the corporate governance statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 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 of the state of affairs of the Group and the Company as at 31 December 2003 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2003 and all Regulations to be construed as one with those Acts.

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

In our opinion, the information given in the report of the directors on pages 30 to 33 is consistent with the financial statements. The net assets of the Company, as stated in the balance sheet on page 41, 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 2003 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.

KPMG
Chartered Accountants
Registered Auditors
Dublin
30 April 2004

Statement of accounting policies

for the year ended 31 December 2003

The following accounting policies have been applied consistently, in dealing with items which are considered material in relation to the Group's financial statements, except that the depreciation rates for the hotel buildings have been adjusted in 2003.

Basis of Preparation

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

In July 2003, the Minister for Transport announced that the Government had decided, having regard to the commitments in the Agreed Programme for Government, to proceed with arrangements, including the necessary changes to legislation, to establish within twelve months Shannon, Cork and Dublin airports as fully independent and autonomous authorities under state ownership.

The full scope of the proposals approved by Government have yet to be finalised and will necessitate changes in legislation, which have yet to be published. Accordingly it is not possible for the directors to determine the impact of any proposed new arrangements on the financial position of the Group. Consequently, no account has been taken in these financial statements of the impact, if any, of the Government's proposals.

Basis of Consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings (subsidiaries) made up to 31 December 2003.

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 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.

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. 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.

Tangible Fixed Assets and Depreciation

Depreciation is calculated to write off the cost (or deemed cost on the transitional provisions of Financial Reporting Standard 15 (FRS 15) "Tangible Fixed Assets") of tangible fixed assets other than land 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 (excl. hotel buildings)	10 – 50 years
Hotel buildings	10 – 150 years

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 airport assets based on the higher of their net realisable values or the present values of future cash flows expected to result from their use. For the purposes of this review Dublin, Shannon and Cork 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.

The freehold hotel properties of the Company's subsidiary undertaking, Great Southern Hotels Group, are stated either at a valuation on an open market existing use basis at 31 December 1994 or at cost if acquired subsequently. That group is availing of the transitional provision of

Statement of accounting policies continued

for the year ended 31 December 2003

FRS 15 in continuing to carry such assets at their previous revalued amounts, which is not being updated for subsequent changes in value except as adjusted for subsequent additions, disposals and impairment, if any.

On an annual basis the Group estimates the recoverable amount of its hotel properties based on the higher of their net realisable value or the present value of future cash flows expected to result from their use. Where the recoverable amount is less than the carrying amount of the hotel properties, the Group recognises an impairment loss in the financial statements.

Capitalisation of Interest

Interest incurred up to the time that separately identifiable major capital projects are ready for service is capitalised as part of the cost of the assets.

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 is amortised on a straight line basis over its estimated useful life, the period during which benefits are expected to accrue.

Purchased goodwill is being amortised over a twenty year period or where shorter 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.

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 eight 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 revaluation gains in the case of hotel buildings and unremitted earnings of 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. As permitted by FRS 19, deferred tax is not recognised on the gains arising from the revaluation of hotel properties. No deferred tax has been recognised on the unremitted earnings of overseas subsidiaries and associates as no tax is expected to be payable on them. 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.

Pension and Other Post-Retirement Obligations

The Group provides pensions to substantially all employees through contributions to a variety of separately administered schemes.

The expected cost of providing pensions and other retirement benefits to employees is charged to the profit and loss account as incurred over the period of employment of pensionable employees.

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 2003

	Note	2003 €000	2002 €000
Turnover: Group and share of joint venture		**437,429**	427,036
Less: share of joint venture's turnover		**(561)**	(6,162)
Group turnover – continuing operations	1	**436,868**	420,874
Operating costs			
Cost of goods for resale		**(117,483)**	(114,952)
Payroll and related costs	2	**(145,103)**	(142,636)
Materials and services		**(101,657)**	(93,482)
Depreciation and amortisation		**(43,045)**	(36,530)
		(407,288)	(387,600)
Group operating profit – continuing operations		**29,580**	33,274
Share of operating profits			
Joint venture undertaking		**641**	3,062
Associated undertakings			
– Ordinary	3	**20,800**	27,576
– Exceptional	29	**(2,380)**	12,000
Group profit before exceptional items		**48,641**	75,912
Exceptional items – continuing operations			
Profit on disposal of fixed assets	4	**7,182**	6,056
Profit on disposal of financial assets	4	**136**	–
Group profit before interest		**55,959**	81,968
Income from other financial assets		**764**	1,344
Interest receivable			
Group		**1,665**	1,880
Joint venture undertaking		**93**	49
Associated undertakings		**1,230**	188
Interest payable			
Group	5	**(25,236)**	(23,296)
Joint venture undertaking	5	**(659)**	(746)
Associated undertakings	5	**(12,350)**	(10,987)
Group profit on ordinary activities before taxation	6	**21,466**	50,400
Tax on profit on ordinary activities	7	**(1,453)**	(14,172)
Group profit on ordinary activities after taxation		**20,013**	36,228
Minority interest – equity	28	**233**	(5)
Group profit for the financial year	8	**20,246**	36,223
Dividends paid in respect of 2002 Group profit	8	**(7,245)**	–
Dividends proposed in respect of 2003 Group profit	8	**(6,074)**	–
Group retained profit for the financial year		**6,927**	36,223
Profit and loss account at beginning of year		**208,825**	172,602
Profit and loss account at end of year		**215,752**	208,825

There is no material difference between results as reported and those prepared on a historical cost basis.

On behalf of the Board
Noel Hanlon Chairman
Liam Meade Director
30 April 2004

Statement of total recognised gains and losses

for the year ended 31 December 2003

	2003 €000	2002 €000
Profit for the financial year	**20,246**	36,223
Exchange differences on translation		
of overseas investments (arising on net assets)		
subsidiary undertakings	**(499)**	(754)
associated undertakings	**(6,891)**	(4,378)
Total recognised gains and losses for the year	**12,856**	31,091

Reconciliation of movement in shareholders' funds

for the year ended 31 December 2003

	2003 €000	2002 €000
At 1 January	**403,329**	372,238
Total recognised gains and losses for the year	**12,856**	31,091
Dividends paid in respect of 2002 Group profit	**(7,245)**	–
Dividends proposed in respect of 2003 Group profit	**(6,074)**	–
At 31 December	**402,866**	403,329

Group balance sheet

at 31 December 2003

	Note	2003 €000	2002 €000
Fixed assets			
Tangible assets	9	706,880	698,394
Intangible assets	10	6,257	7,883
		713,137	706,277
Financial assets			
Investments in joint venture undertaking			
Share of gross assets		21,184	20,609
Share of gross liabilities		(22,217)	(25,028)
Loans to joint venture undertaking		4,882	4,882
Total investment in joint venture undertaking		3,849	463
Investment in associated undertakings		145,063	155,478
Other financial assets		27,069	30,076
Total financial assets	11	175,981	186,017
Total fixed assets		889,118	892,294
Current assets			
Stocks	12	18,731	18,922
Debtors	13	34,167	37,166
Cash at bank and in hand	24	79,259	96,855
		132,157	152,943
Creditors: amounts falling due within one year	14	(135,754)	(135,453)
Net current (liabilities)/assets		(3,597)	17,490
Total assets less current liabilities		885,521	909,784
Creditors: amounts falling due after more than one year	15	(448,333)	(463,444)
Capital grants	17	(27,686)	(30,437)
Provisions for liabilities and charges	18	(6,890)	(12,628)
Net assets		402,612	403,275
Capital and reserves			
Called up share capital	19	186,337	186,337
Profit and loss account	20	215,752	208,825
Other reserves	20	777	8,167
Shareholders' funds – equity		402,866	403,329
Minority interest – equity	28	(254)	(54)
		402,612	403,275

On behalf of the Board
Noel Hanlon Chairman
Liam Meade Director
30 April 2004

Company balance sheet

at 31 December 2003

	Note	2003 €000	2002 €000
Fixed assets			
Tangible assets	9	586,080	577,308
Financial assets	11	131,350	131,849
		717,430	709,157
Current assets			
Stocks	12	11,568	11,600
Debtors	13	68,961	65,679
Cash at bank and in hand		63,929	82,181
		144,458	159,460
Creditors: amounts falling due within one year	14	(132,359)	(121,321)
Net current assets		12,099	38,139
Total assets less current liabilities		729,529	747,296
Creditors: amounts falling due after more than one year	15	(440,964)	(456,232)
Capital grants	17	(27,608)	(29,331)
Provision for liabilities and charges	18	(4,728)	(10,038)
Net assets		256,229	251,695
Capital and reserves			
Called up share capital	19	186,337	186,337
Profit and loss account	20	69,892	65,358
Shareholders' funds – equity		256,229	251,695

On behalf of the Board
Noel Hanlon Chairman
Liam Meade Director
30 April 2004

Group cash flow statement

for the year ended 31 December 2003

	Note	2003 €000	2002 €000
Cash inflow from operating activities	21	**80,139**	63,296
Payments in respect of exceptional restructuring programme	18	**(4,305)**	(18,697)
Dividends received from associated undertakings	11	**4,454**	3,571
Returns on investments and servicing of finance	22	**(23,052)**	(18,352)
Taxation paid		**(1,503)**	(930)
		55,733	28,888
Capital expenditure and financial investment	22	**(48,378)**	(88,010)
Acquisitions and disposals	22	**(125)**	6,363
Dividends paid in respect of 2002 Group profit		**(7,245)**	–
Cash outflow before management of liquid resources and financing		**(15)**	(52,759)
Management of liquid resources			
Net cash transferred from/(to) liquid resources	23	**16,961**	(48,697)
Financing	22	**(16,087)**	107,556
Increase in cash in year	23	**859**	6,100

Notes on and forming part of the financial statements

for the year ended 31 December 2003

1. Turnover – continuing operations

	Group	
	2003	2002
	€000	€000
Activity		
Aeronautical revenue	**108,813**	107,165
Commercial activities	**283,877**	271,010
Hotels	**44,178**	42,699
Total turnover	**436,868**	420,874
Geographical		
Irish airports	**346,370**	331,492
Irish hotel activities	**44,178**	42,699
Overseas	**46,320**	46,683
Total turnover	**436,868**	420,874

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

2. Payroll and related costs

	Group	
	2003	2002
	€000	€000
Wages and salaries	**127,154**	124,019
Social welfare costs	**12,611**	12,165
Pension costs	**6,619**	6,186
Other staff costs	**1,670**	1,271
Release of restructuring provision (see note 18)	**(2,000)**	–
	146,054	143,641
Staff costs capitalised into fixed assets	**(951)**	(1,005)
Net staff costs	**145,103**	142,636
Employee figures (full time equivalents) for the Group were as follows:	**2003**	2002
Airports	**2,352**	2,416
Hotels	**684**	708
International activities	**351**	307
	3,387	3,431

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 as defined in the Statement of Accounting Policies. Management fees and other direct income from these undertakings are included in turnover of the Group.

Notes continued

for the year ended 31 December 2003

4. Exceptional items – profit on disposal of fixed tangible and financial assets

A profit of €7.182 million (net of attributable costs) arose on the disposal of property in the Company and a subsidiary company. The capital gains tax arising on disposal of property was €0.428 million.

A profit of €0.136 million arose on the sale of an interest in a listed investment by a subsidiary company. No tax arose on this sale.

In 2002 a profit of €6.056 million (net of attributable costs) arose on the disposal of land in the parent and a subsidiary company. The capital gains tax arising was €0.777 million.

Included in exceptional profit in 2003 is €3.328 million arising on the partial recognition of profit on the sale of land to Turckton Developments Limited ("Turckton"), a joint venture undertaking.

The profit on the sale, which occurred in 1998, was partially recognised for accounting purposes in 2003 following the expiry of Turckton's option to sell the land back to Aer Rianta cpt. The balance of profit deferred (€3.328 million) relates to the Group's share of the land owned by the joint venture and will be recognised once this profit is realised by Turckton.

5. Interest payable

	Group	
	2003 €000	2002 €000
Group		
Interest payable on loans wholly repayable by instalments within five years	**2,878**	1,350
Interest payable on loans wholly repayable by instalments after five years	**7,336**	6,741
Interest on loan notes	**15,375**	15,375
Amortisation of issue costs	**123**	117
Other interest payable	**97**	20
	25,809	23,603
Interest capitalised	**(573)**	(307)
Total interest payable – Group	**25,236**	23,296
Joint venture undertaking:		
Interest on loans repayable by instalments within five years	**659**	746
Associated undertakings:		
Interest payable on loans repayable by instalments within five years	**3,790**	3,507
Interest payable on loans repayable by instalments after five years	**8,546**	9,261
Finance lease interest	**15**	5
Interest capitalised	**(1)**	(1,786)
Total interest payable – associated undertakings	**12,350**	10,987

Notes continued

for the year ended 31 December 2003

6. Statutory and other information

	Group 2003 €000	Group 2002 €000
Group profit on ordinary activities before tax is stated after charging/(crediting):		
Auditors' remuneration (including expenses):		
for audit services	**338**	329
for other services	**386**	499
	724	828
Operating lease rentals:		
equipment	**1,685**	1,634
buildings	**7,015**	7,664
Depreciation	**41,128**	35,671
Write-offs of tangible fixed assets	**3,410**	–
Amortisation of capital grants	**(2,751)**	(1,713)
Amortisation of intangible assets and goodwill:		
Group	**1,671**	2,107
share of associate undertakings (Note 11)	**98**	99
	1,769	2,206
Directors' remuneration:		
fees	**117**	127
other emoluments (including pension contribution)	**414**	303
	531	430
The remuneration of the Group Chief Executive reflected in the amounts shown above as directors' remuneration was as follows:		
Directors' fee	**13**	13
Basic salary	**242**	234
Performance related remuneration	**45**	35
Pension contributions	**107**	19
Other taxable benefits	**15**	14
	422	315

The Group Chief Executive retired on 31 December 2003, on expiry of his contract. The 2003 pension contributions above include an amount to provide for full pensionable service on retirement. In accordance with the advice of the scheme's actuary, relating to the terms of the pension scheme, the Company will pay an additional amount to the scheme equivalent to two years' pension payments, arising because of his early retirement.

Notes continued

for the year ended 31 December 2003

7. Tax on profit on ordinary activities

	Group	
	2003	2002
	€000	€000
Current tax:		
Corporation tax – Ireland	**28**	51
Overseas tax of subsidiary undertakings	**749**	843
Capital gains tax – Ireland (Note 4)	**428**	777
Overprovision in respect of prior periods	**(4,636)**	(1,478)
Tax attributable to Group	**(3,431)**	193
Share of Irish tax of joint venture undertaking	**19**	591
Share of Irish tax of associated undertakings	**120**	256
Share of overseas tax of associated undertakings	**4,178**	8,146
Underprovision in respect of prior periods	**–**	6
Tax attributable to joint venture and associated undertakings	**4,317**	8,999
Current tax charge	**886**	9,192
Deferred tax:		
Origination of timing differences		
attributable to Group (Note 18)	**567**	1,331
share of associated undertakings	**–**	3,649
Deferred tax charge	**567**	4,980
Tax on profit on ordinary activities	**1,453**	14,172

The Group's Irish operations are subject to differing rates of corporation taxation, according to, inter alia, the nature of activities. During 2003 these rates varied from 10% to 25%. The standard rate of corporation taxation in the Republic of Ireland, which applies to certain of the Group's income was 12.5% in 2003 (2002: 16%).

No provision has been made for deferred tax on gains recognised on revaluing hotel properties to their market value. This tax would be payable if the hotels were sold at market value as under the provision of the 2003 Finance Act rollover relief is no longer available for disposals occurring on or after 4 December 2002. The total liability unprovided for at 31 December 2003 assuming that no indexation relief is available is €3.2 million (2002: €3.5 million).

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

	Group	
	2003	2002
	€000	€000
Profit on ordinary activities before taxation	**21,466**	50,400
Profit on ordinary activities at standard corporation tax rate in Republic of Ireland of 12.5% (2002: 16%)	**2,683**	8,064
Effects of:		
Capital allowances for period in excess of depreciation	**(1,681)**	(951)
Expenses deductible for tax purposes in the current year (timing differences)	**(103)**	(915)
Expenses not deductible for tax purposes (permanent differences)	**509**	783
Profits of foreign undertakings taxable at higher rates	**3,579**	3,622
Irish profits taxable at higher rates	**152**	357
Unutilised losses carried forward	**833**	–
Other	**(450)**	(296)
Overprovision in respect of prior periods	**(4,636)**	(1,472)
Current tax charge for the year	**886**	9,192

Notes continued

for the year ended 31 December 2003

8. Group profit for the financial year

A separate Company profit and loss account is not presented as provided for under the Companies (Amendment) Act 1986, Section 3(2). A profit for the financial year of €17.9 million (2002: profit €16.2 million) has been dealt with in the financial statements of the Company.

Dividends of €0.04938 per ordinary share totalling €7.245 million (2002: €Nil) were paid to the Minister for Finance during the year in respect of the year ended 31 December 2002. The directors propose the payment of a final dividend of €0.0414 per share totalling €6.074 million in respect of the year ended 31 December 2003.

9. Tangible fixed assets

Group	Terminal complexes €000	Lands & airfields €000	Plant & equipment €000	Hotel buildings €000	Other property €000	Assets in the course of construction €000	Total €000
Cost or valuation							
At 1 January 2003							
Cost	280,879	169,879	182,725	55,196	150,666	69,869	909,214
Valuation	–	–	–	41,647	–	–	41,647
Total	280,879	169,879	182,725	96,843	150,666	69,869	950,861
Additions	–	–	4,182	5,804	575	46,542	57,103
Transfer to completed assets	3,325	11,163	40,342	2,349	1,244	(58,423)	–
Foreign exchange movement	–	–	(251)	–	–	–	(251)
Disposals	–	–	(2,425)	(3,202)	–	–	(5,627)
Write-offs	(760)	(643)	(2,884)	–	(2,171)	(2,012)	(8,470)
At 31 December 2003							
Cost	283,444	180,399	221,689	62,814	150,314	55,976	954,636
Valuation	–	–	–	38,980	–	–	38,980
At 31 December 2003	**283,444**	**180,399**	**221,689**	**101,794**	**150,314**	**55,976**	**993,616**
Depreciation							
At 1 January 2003	53,074	44,088	104,146	–	51,159	–	252,467
Charge for the year	9,084	5,767	17,827	2,420	6,030	–	41,128
Foreign exchange movement	–	–	(43)	–	–	–	(43)
Disposals	–	–	(1,756)	–	–	–	(1,756)
Write-offs	(700)	(499)	(2,830)	–	(1,031)	–	(5,060)
At 31 December 2003	**61,458**	**49,356**	**117,344**	**2,420**	**56,158**	**–**	**286,736**
Net book value							
2003	**221,986**	**131,043**	**104,345**	**99,374**	**94,156**	**55,976**	**706,880**
2002	227,805	125,791	78,579	96,843	99,507	69,869	698,394

Notes continued

for the year ended 31 December 2003

9. Tangible fixed assets (continued)

Company	Terminal complexes €000	Lands & airfields €000	Plant & equipment €000	Other property €000	Assets in the course of construction €000	Total €000
Cost						
At 1 January 2003	280,879	163,008	145,386	145,055	67,519	801,847
Additions	–	–	1,271	154	46,542	47,967
Transfer to completed assets	3,325	11,163	40,342	1,243	(56,073)	–
Disposals	–	–	(271)	–	–	(271)
Write-offs	(760)	(643)	(2,884)	(2,171)	(2,012)	(8,470)
At 31 December 2003	**283,444**	**173,528**	**183,844**	**144,281**	**55,976**	**841,073**
Depreciation						
At 1 January 2003	53,074	44,088	79,615	47,762	–	224,539
Charge for the year	9,084	5,767	15,283	5,557	–	35,691
Disposals	–	–	(177)	–	–	(177)
Write-offs	(700)	(499)	(2,830)	(1,031)	–	(5,060)
At 31 December 2003	**61,458**	**49,356**	**91,891**	**52,288**	**–**	**254,993**
Net book value						
2003	**221,986**	**124,172**	**91,953**	**91,993**	**55,976**	**586,080**
2002	227,805	118,920	65,771	97,293	67,519	577,308

Lands and airfields (Group and Company) includes airport land at a cost of €19.6 million (2002: €19.6 million).

Fixed asset additions (Group) include internal architectural and engineering costs of €1.0 million (2002: €1.0 million) (Note 2). Fixed asset additions (Company) include internal architectural and engineering costs of €0.9 million (2002: €0.9 million).

Fixed assets (Group and Company) include cumulative interest capitalised of €3.2 million (2002: €2.6 million). Interest of €0.6 million (2002: €0.3 million) (Group and Company) was capitalised at an average rate of 5.5% (2002: 5.6%) per annum.

Certain hotel buildings were revalued on an open market basis by Donal O'Buachalla & Co Limited, at 31 December 1994. The valuations were carried out in accordance with the Appraisal and Valuation Manuals published by the Society of Chartered Surveyors. The valuation has been retained under the transitional provisions of FRS 15 "Tangible Fixed Assets".

Notes continued

for the year ended 31 December 2003

10. Intangible fixed assets

	Concession Rights[1] €000	Goodwill[2] €000	2003 Total €000	2002 Total €000
Group				
Cost				
At 1 January	15,702	526	**16,228**	14,870
Additions	–	–	**–**	2,550
Foreign exchange movement	–	–	**–**	(1,192)
At 31 December	15,702	526	**16,228**	16,228
Amortisation				
At 1 January	8,310	35	**8,345**	6,422
Charge for the year	1,618	53	**1,671**	2,107
Foreign exchange movement	(45)	–	**(45)**	(184)
At 31 December	9,883	88	**9,971**	8,345
Net book value	5,819	438	**6,257**	7,883

1. During 2003 the concession agreement in Aer Rianta North America Inc. was extended by five years to 2011. Amortisation is now being charged over the revised estimated useful life.
2. During 2002 the Group's partner in Kievrianta LLC redeemed their shares in the company. As a result Kievrianta LLC, with effect from 18 April 2002, was accounted for as a subsidiary undertaking having previously been accounted for as an associated undertaking.

   The consideration payable to the Group's partner for the shares redeemed was €2.099 million. The total net assets in Kievrianta LLC on the date it became a subsidiary, and the share of the net assets on that date were as follows:

	Total net assets €000	Share of net assets acquired €000
Net assets at fair value excluding cash	793	397
Goodwill arising on acquisition		526
Total		**923**
Satisfied by:		
Deferred payment (paid in April 2003)		2,099
Cash transferred on acquisition	2,352	
Less: existing share of cash	(1,176)	(1,176)
Total		**923**

The goodwill arising on the acquisition is being amortised over ten years, which is the term of the concession agreement held in Kievrianta LLC.

Notes continued

for the year ended 31 December 2003

11. Fixed assets – financial

Group	1 January 2003 €000	Additions/ other increases during the year €000	Disposals/ other movements during the year €000	31 December 2003 €000
Joint venture undertaking				
Share of gross assets	20,609	575	–	**21,184**
Share of gross liabilities	(25,028)	2,811	–	**(22,217)**
Loans to joint venture undertaking	4,882	–	–	**4,882**
	463	3,386	–	**3,849**
Associated undertakings				
Equity interest at cost	96,964	–	(2,045) [a]	**94,919**
Goodwill	1,854	–	(98)	**1,756**
Loans to associated undertakings	570	71	–	**641**
Share of post acquisition profits	75,396	3,002	–	**78,398**
Dividends paid	(26,880)	–	(4,454)	**(31,334)**
Translation reserve	7,574	–	(6,891)	**683**
	155,478	3,073	(13,488)	**145,063**
Other financial assets				
Other unlisted investments at cost	27,121	–	(52)	**27,069**
Listed investments at cost	2,955	–	(2,955) [b]	**–**
	30,076	–	(3,007)	**27,069**
Total financial assets	186,017	6,459	(16,495)	**175,981**
Company				
Ordinary shares in subsidiary undertakings at cost	23,756	–	(300)	**23,456**
Subordinated loans to subsidiary undertakings	5,078	–	–	**5,078**
Other loans to subsidiary undertakings	97,934	–	–	**97,934**
Investment in joint venture undertaking	5,081	–	(199)	**4,882**
	131,849	–	(499)	**131,350**

(a) During the year the Group received a refund of €2.045 million in respect of the investment in an associated undertaking in accordance with the provisions of the purchase agreement for that investment.

(b) The Group disposed of its listed investment during the year giving rise to a profit of €0.136 million (net of attributable costs) (Note 4).

In the opinion of the directors, the 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.

Details of subsidiary, associated and joint venture undertakings are set out opposite.

Notes continued

for the year ended 31 December 2003

11. 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, are as set out below:

Undertaking	Registered office	Nature of business	% holding of ordinary shares
Subsidiary undertakings			
Aer Rianta Finance plc	Dublin, Ireland	Financing company	100
Aer Rianta International cpt	Shannon, Ireland	International management services and airport investor	100
Great Southern Hotels Limited	Dublin, Ireland	Hotel operator	100
Aer Rianta International (North America) Inc.	Montreal, Canada	Duty-free shopping and related activities	100
Kievrianta LLC	Kiev, Ukraine	Duty-free shopping and related activities	99
Aer Rianta International Sardana (JFK) Inc.	Delaware, USA	Airport shopping and related activities	70
Associated undertakings			
Birmingham International Airport Limited	Birmingham, England	Airport	24.125
Airport Partners GmbH [(1)]	Dusseldorf, Germany	Airport investor	40
Aer Rianta International (Middle East) W.L.L.	Manama, Bahrain	Duty-free shopping and related activities	49
Lenrianta JSC	St. Petersburg,Russia	Duty-free shopping and related activities	48.3
Aerofirst JSC	Moscow, Russia	Duty-free shopping and related activities	33.3
Global Travel Management S.A.	Athens, Greece	Consultancy	45
Omnistone Limited	Cork, Ireland	Cork Airport Business Park development	25
Hamburg Airport Partners GmbH	Hamburg, Germany	Airport investor	20
Joint venture undertaking			
Turckton Developments Limited	Dublin, Ireland	Business park development	50

[(1)] The Group has a beneficial interest of 20% in the share capital of Flughafen Dusseldorf GmbH (Dusseldorf airport) through its investment in Airport Partners GmbH.

All financial statements of subsidiary, associated and joint venture undertakings are co-terminous with the year-end of the Group other than in respect of Birmingham International Airport Limited and Aer Rianta Finance plc whose financial statements are prepared to 31 March and 28 February year-ends respectively. Management accounts of these entities have been prepared to 31 December 2003 for the purposes of including the results of these companies in the Group financial statements. Transactions between the Group and its associated and joint venture undertakings are detailed in Note 27.

12. Stocks

	Group		Company	
	2003 €000	2002 €000	**2003 €000**	2002 €000
Goods for resale	**17,204**	17,516	**10,067**	10,227
Maintenance	**1,527**	1,406	**1,501**	1,373
	18,731	18,922	**11,568**	11,600

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

Notes continued

for the year ended 31 December 2003

13. Debtors

	Group		Company	
	2003 €000	2002 €000	2003 €000	2002 €000
Trade debtors	21,008	25,024	18,334	22,834
Due from subsidiary undertakings	–	–	40,208	33,220
Due from associated undertakings	1,263	776	–	–
VAT	–	1,423	–	1,089
Corporation tax	2,000	–	2,000	–
Other debtors	9,896	9,943	8,419	8,536
	34,167	37,166	68,961	65,679

Debtors of €5.5 million (2002: €5.1 million) in the Group and debtors of €38.1 million (2002: €37.6 million) in the Company, fall due after more than one year.

14. Creditors: amounts falling due within one year

	Group		Company	
	2003 €000	2002 €000	2003 €000	2002 €000
Bank loans (Note 16)	17,330	17,386	16,060	15,925
Trade creditors	16,385	15,077	8,006	5,038
Due to subsidiary undertakings	–	–	36,041	22,126
Other creditors	9,371	12,161	6,877	10,489
Accruals and deferred income	86,594	90,829	59,301	67,743
Dividends proposed	6,074	–	6,074	–
	135,754	135,453	132,359	121,321
Tax included in other creditors:				
Corporation tax	497	3,089	–	2,607
Capital gains tax	428	777	–	36
PAYE	2,613	2,827	2,454	2,571
PRSI	1,738	1,720	1,486	1,578
Other taxes	432	506	415	28
VAT	1,208	–	62	–

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

	Group		Company	
	2003 €000	2002 €000	2003 €000	2002 €000
Bank loans	189,169	206,506	57,980	74,046
Other creditors	8,984	8,186	8,984	8,186
Loan notes (Note 16)	248,875	248,752	–	–
Loan from minority interest to subsidiary undertakings	1,305	–	–	–
Due to subsidiary undertakings	–	–	374,000	374,000
	448,333	463,444	440,964	456,232

Other creditors of €6.9 million (2002: €5.9 million), Group and Company, fall due after more than five years.

Notes continued

for the year ended 31 December 2003

16. Financial liabilities

	Group		Company	
	2003 €000	2002 €000	**2003 €000**	2002 €000
Repayable by instalments:				
Repayable within one year	**17,330**	17,386	**16,060**	15,925
Repayable within one to two years	**17,477**	17,336	**16,209**	16,066
Repayable within two to five years	**63,025**	62,012	**41,494**	46,488
Repayable after five years	**109,972**	127,158	**277**	11,492
	207,804	223,892	**74,040**	89,971
Repayable other than by instalments:				
Repayable after five years	**248,875**	248,752	**–**	–
	456,679	472,644	**74,040**	89,971
Included in creditors falling due within one year	**17,330**	17,386	**16,060**	15,925
Included in creditors falling due after more than one year	**439,349**	455,258	**57,980**	74,046

Included above are amounts of €8.8 million (2002: €10.3 million), Group and Company, which are guaranteed by the Irish State.

The Group through its subsidiary Aer Rianta Finance plc has in issue €250 million of loan notes repayable in 2011 at a fixed rate of 6.15% payable annually, which is included in financial liabilities repayable other than by instalments above, net of issue costs. All amounts payable to noteholders are guaranteed by Aer Rianta cpt.

Borrowing facilities

The Group has various undrawn committed borrowing facilities. At 31 December 2003 the undrawn committed facilities available in respect of which all conditions precedent had been met were as follows:

	2003 €000
Expiring in one year or less	**9,970**
Expiring in more than one year but not more than two years	**11,970**
Expiring in more than two years but not more than five years	**147,864**
Expiring in more than five years	**21,385**
Total	**191,189**

17. Capital grants

	Group		Company	
	2003 €000	2002 €000	**2003 €000**	2002 €000
At 1 January	**30,437**	32,150	**29,331**	31,045
Amortised to profit and loss account	**(2,751)**	(1,713)	**(1,723)**	(1,714)
At 31 December	**27,686**	30,437	**27,608**	29,331

Notes continued

for the year ended 31 December 2003

18. Provisions for liabilities and charges

	Deferred tax €000	Restructuring €000	Total €000
Group			
At 1 January 2003	2,825	9,803	12,628
Charge for the year (Note 7)	567	–	567
Utilised in year	–	(4,305)	(4,305)
Released to profit and loss account (Note 2)	–	(2,000)	(2,000)
At 31 December 2003	**3,392**	**3,498**	**6,890**
Company			
At 1 January 2003	235	9,803	10,038
Charge for the year (Note 7)	995	–	995
Utilised in year	–	(4,305)	(4,305)
Released to profit and loss account (Note 2)	–	(2,000)	(2,000)
At 31 December 2003	**1,230**	**3,498**	**4,728**

The deferred tax provision at 31 December 2003 in the Group of €3.4 million (2002: €2.8 million) was made up of €7.0 million (2002: €5.1 million) in respect of timing differences on capital allowances, less €2.5 million (2002: €1.1 million) in relation to tax losses carried forward and less €1.1 million (2002: €1.2 million) reflecting amounts not deductible for corporation tax in the current year.

The deferred tax provision at 31 December 2003 in the Company of €1.2 million (2002: €0.2 million) was made up of €3.0 million (2002: €1.6 million) in respect of timing differences on capital allowances less €0.5 million (2002: €nil) in relation to tax losses carried forward and less €1.3 million (2002: €1.4 million) reflecting amounts not deductible for corporation tax in the current year.

The provision for restructuring at 31 December 2003 represents the final tranche of a provision of €28.5 million made in 2001 arising from the initiation of a number of fundamental change programmes including a voluntary severance scheme. The total amount paid to 31 December 2003 was €23.0 million. An amount of €2.0 million was written back to the profit and loss account in 2003. This programme continues into 2004.

19. Called up share capital – equity

	Group and Company	
	2003 €000	2002 €000
Authorised:		
250,000,000 ordinary shares of €1.27 each	**317,500**	317,500
Allotted, called up and fully paid:		
146,721,889 ordinary shares of €1.27 each	**186,337**	186,337

All the ordinary shares are beneficially held by the Minister for Finance.

Notes continued

for the year ended 31 December 2003

20. Reserves

	Profit & loss account €000	Translation reserve €000	Other reserves €000	2003 Total reserves €000	2002 Total reserves €000
Group					
At 1 January	208,825	5,644	2,523	216,992	185,901
Retained profit for the financial year	6,927	–	–	6,927	36,223
Currency translation adjustments	–	(7,390)	–	(7,390)	(5,132)
At 31 December	**215,752**	**(1,746)**	**2,523**	**216,529**	**216,992**
As follows:					
Aer Rianta cpt	69,892	–	–	69,892	65,358
Subsidiary undertakings	100,072	(2,429)	2,277	99,920	93,305
Joint venture undertaking	2,297	–	–	2,297	2,239
Associated undertakings	46,819	683	246	47,748	56,090
Consolidation adjustment (Note 4)	(3,328)	–	–	(3,328)	–
	215,752	**(1,746)**	**2,523**	**216,529**	**216,992**

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

	Group	
	2003 €000	2002 €000
Operating profit	**29,580**	33,274
Depreciation charge	**41,128**	35,671
Amortisation of intangible assets	**1,671**	2,107
Amortisation of goodwill in associate undertaking	**98**	99
Tangible fixed asset write-offs	**3,410**	–
Amortisation of capital grants	**(2,751)**	(1,713)
Profit on disposal of tangible fixed assets	**(29)**	(66)
Decrease in stocks	**191**	2,789
Decrease/(increase) in debtors	**5,124**	(2,658)
Increase/(decrease) in creditors	**1,717**	(6,207)
Cash inflow from operating activities	**80,139**	63,296

Notes continued

for the year ended 31 December 2003

22. Analysis of headings grouped in cash flow statement

	Group	
	2003 €000	2002 €000
Returns on investments and servicing of finance		
Interest received	**2,147**	1,397
Interest paid	**(25,963)**	(21,093)
Income from other financial assets	**764**	1,344
	(23,052)	(18,352)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(59,758)**	(94,963)
Sale of tangible fixed assets	**8,237**	6,953
Sale of financial fixed assets	**3,143**	–
	(48,378)	(88,010)
Acquisitions and disposals		
Adjustment to consideration for associated undertakings	**2,045**	4,090
Net cash acquired with subsidiary	**–**	2,352
Payment of deferred consideration (Note 10)	**(2,099)**	–
Loan to associated undertaking	**(71)**	(79)
	(125)	6,363
Financing		
New bank loans	**–**	125,000
Repayments of bank loans	**(17,392)**	(17,444)
Loan from minority interest to subsidiary undertaking	**1,305**	–
	(16,087)	107,556

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

	Group
	2003 €000
Increase in cash in the year	**859**
Decrease in liquid resources	**(16,961)**
Decrease in debt	**16,087**
Change in net debt resulting from cash flows	**(15)**
Amortisation of issue costs	**(122)**
Foreign exchange movement	**(1,494)**
Movement in net debt in the year	**(1,631)**
Net debt at 1 January 2003	**(375,789)**
Net debt at 31 December 2003	**(377,420)**

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for the year ended 31 December 2003

24. Analysis of net debt

	At 1 January 2003 €000	Cash flow €000	Non-cash movement €000	Foreign exchange movement €000	At 31 December 2003 €000
Cash	22,763	859	–	(1,494)	**22,128**
Liquid resources	74,092	(16,961)	–	–	**57,131**
	96,855	(16,102)	–	(1,494)	**79,259**
Debt due within one year	(17,386)	17,392	(17,336)	–	**(17,330)**
Debt due after one year	(455,258)	(1,305)	17,214	–	**(439,349)**
	(472,644)	16,087	(122)	–	**(456,679)**
Total	**(375,789)**	**(15)**	**(122)**	**(1,494)**	**(377,420)**

25. Financial instruments

Narrative disclosures concerning the Group's treasury policy and management are set out in the 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 2003 was:

	2003			2002		
	Total €000	Floating rate €000	Fixed rate €000	Total €000	Floating rate €000	Fixed rate €000
Financial liabilities						
Euro	**455,374**	**57,275**	**398,099**	472,644	69,324	403,320
US dollar	**1,305**	**–**	**1,305**	–	–	–
	456,679	**57,275**	**399,404**	472,644	69,324	403,320
Financial assets						
Euro	**65,600**	**65,600**	**–**	86,589	86,589	–
Sterling	**2,007**	**2,007**	**–**	1,638	1,638	–
US dollar	**8,205**	**8,205**	**–**	6,017	6,017	–
Canadian dollar	**3,444**	**3,444**	**–**	2,607	2,607	–
Hong Kong dollar	**3**	**3**	**–**	4	4	–
	79,259	**79,259**	**–**	96,855	96,855	–

The weighted average interest rate for fixed rate euro currency financial liabilities was 5.9% (2002: 5.9%) and the weighted average period for which the rate is fixed was 10 years (2002: 10.9 years). There were no financial liabilities on which no interest is paid. The floating rate financial liabilities were comprised of bank borrowings that bore interest at rates on up to twelve-month EURIBOR. 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 associates and joint venture undertakings of €5.5 million – (2002: €5.5 million). The Group has unlisted investments of €27.1 million – (2002: €27.1 million) which represent shares in an unquoted company. As a result no interest is received on this investment.

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for the year ended 31 December 2003

25. 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		
	Sterling	US dollar	Canadian dollar
As at 31 December 2003			
Functional currency of Group operations			
Euro	1,648	9,213	65
Canadian dollar	–	23	–
	1,648	9,236	65

	Net foreign currency monetary assets €000		
	Sterling	US dollar	Canadian dollar
As at 31 December 2002			
Functional currency of Group operations			
Euro	439	7,430	221
Canadian dollar	–	29	–
	439	7,459	221

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 2003.

	2003		2002	
	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 position of long-term borrowings (Note 16)	**17,330**	**17,974**	17,386	18,209
Long-term borrowings (Note 16)	**439,349**	**466,938**	455,258	474,887
	456,679	**484,912**	472,644	493,096
Derivative financial instruments held to manage the interest rate and currency profile				
Interest rate swaps	**–**	**(436)**	–	(526)
Derivative financial instruments held or issued to hedge the currency exposure on expected future sales:				
Forward foreign exchange contracts	**–**	**110**	–	141

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.

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for the year ended 31 December 2003

25. Financial instruments (continued)

(iv) Hedges

As set out in the 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 uses 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 2003	141	(526)	(385)
Gains and losses arising in previous years recognised in 2003	(141)	77	(64)
Gains and losses arising before 1 January 2003 not recognised in 2003	–	(449)	(449)
Gains and losses arising in 2003 not recognised in 2003	110	13	123
Unrecognised gains and losses on hedges at 31 December 2003	110	(436)	(326)
Of which:			
Gains and losses expected to be recognised in 2004	110	(74)	36
Gains and losses expected to be recognised in 2005 or later	–	(362)	(362)
	110	(436)	(326)

26. Commitments

		Group		Company	
		2003 €000	2002 €000	**2003 €000**	2002 €000
(i) Capital commitments					
Contracted		**113,254**	20,187	**113,254**	14,468
Authorised by the directors but not contracted for		**53,158**	63,224	**49,180**	63,224
		166,412	83,411	**162,434**	77,692
(ii) Operating leases					
Leasing commitments payable during the next twelve months were made up as follows:					
Plant and equipment					
Payable on leases which expire within:	One year	**692**	55	**664**	–
	Two to five years	**612**	1,554	**602**	1,525
		1,304	1,609	**1,266**	1,525
Buildings					
Payable on leases which expire within:	Two to five years	**956**	6,774	**–**	–
	Greater than five years	**6,317**	–	**–**	–
		7,273	6,774	**–**	–

(iii) Other commitments

In the normal course of business the Group's fuel aviation supply business enters into commitments for the future supply of aviation fuel for resale to customers at one of its airports. At 31 December 2003, the value of such fuel purchase commitments for periods up to March 2004 pursuant to fuel supply agreements was €6.2 million (2002: €39.3 million).

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27. 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.

	Group	
	2003 €000	2002 €000
Management charges to associated undertakings	**5,497**	6,270
Charges to associated undertakings in respect of services provided by the Group	**522**	1,363
Sales at cost to associated undertakings	**1,069**	1,535
Payments made by the Group on behalf of associated undertakings	**36**	618
Due from associated undertakings at year end	**1,904**	1,346
Dividends received from associated undertakings	**4,454**	4,456
Profit on sale of land to joint venture (Note 4)	**3,328**	–
Due from joint venture undertaking at year-end	**4,882**	4,882

In common with many other Government and state bodies, the Group deals in the normal course of business with a range of other Government and state bodies, such as Aer Lingus, An Post, ESB, Irish Aviation Authority and the Department of Transport.

Details of the Group's principal associated and joint venture undertakings are set out in Note 11.

28. Minority interest

This relates to the minority parties in Aer Rianta International (East Asia) Limited (35%); Kievrianta LLC (1%) and Aer Rianta International Sardana (JFK) Inc (30%).

	Equity €000
At 1 January 2003	(54)
Share of loss for the year	(233)
Exchange differences	33
At 31 December 2003	(254)

29. 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:

	Group	
	2003 €000	2002 €000
Turnover	**140,488**	148,221
Fixed assets	**316,876**	319,723
Current assets	**63,009**	53,372
Liabilities due within one year	**(27,968)**	(34,106)
Liabilities due after one year or more	**(272,719)**	(254,398)

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for the year ended 31 December 2003

29. Associates and joint ventures (continued)

The capital development programme of all associated undertakings amounts to some €491 million over the next five years.

The Group's share of the results, assets and liabilities of Birmingham International Airport Limited and Airport Partners GmbH (associated undertakings which exceed certain size criteria set down in FRS 9) is as follows:

Group share:	**Birmingham International Airport Ltd. (24.125%)**		**Airport Partners GmbH (20%)**	
	2003 €000	2002 €000	**2003 €000**	2002 €000
Turnover	**37,662**	38,739	**57,815**	58,477
Profit/(loss) before tax	**10,454**	10,119	**(6,858)**	11,738
Taxation	**(3,127)**	(3,440)	**(595)**	(6,969)
Profit after tax	**7,327**	6,679	**(7,453)**	4,769
Fixed assets	**81,424**	89,121	**224,386**	218,345
Current assets	**30,164**	25,313	**16,575**	9,836
Liabilities due within one year	**(10,223)**	(10,139)	**(8,166)**	(12,438)
Liabilities due after one year or more	**(52,591)**	(56,228)	**(217,123)**	(193,125)

Loss before tax in Airport Partners GmbH in 2003 included an exceptional loss of which the Group's share was €2.380 million.

Profit before tax in Airport Partners GmbH in 2002 included an exceptional gain and exceptional operating costs, the Group's share of which amounted to €14 million and €2 million respectively.

Consistent accounting policies are adopted by associates of the Group except as follows:

Airport Partners GmbH – accounting for pensions in Flughafen Dusseldorf GmbH (FDG), which is a member of the Supplementary Pension Fund of the state capital of Dusseldorf (Zusatzvers orgungsuasse, ZVK). As a member of ZVK, Flughafen Dusseldorf GmbH is obliged to register all qualifying employees with ZVK. The qualifying employees have a direct claim against ZVK for payment of old age and surviving dependants' benefits. Contributions are fixed by ZVK and are accounted for on an accruals basis. It is not practical to amend this accounting policy to accord with the Group's treatment of same nor is it possible to quantify the effect of the differences in accounting treatment in the Group financial statements at this time.

Birmingham International Airport Limited has adopted a policy of revaluing assets whereas the Group does not have such a policy. The share of profits and share of net assets included in the Group's financial statements have been calculated in accordance with the Group's accounting policies and adjusted to eliminate the impact of revaluation of assets in Birmingham International Airport Limited.

30. 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. The pension scheme assets are held in separate, Revenue approved, trustee administered funds.

The Group continues to account for pensions in accordance with Statement of Standard Accounting Practice No. 24 (SSAP 24): "Accounting for Pension Costs". The pension cost to the Group for the financial year amounted to €6.6 million (2002: €6.2 million). The total amount outstanding in respect of pension contributions at 31 December 2003 was €4.2 million (2002: €2.4 million).

The actuarial valuations of the Irish Airlines (General Employees) Superannuation Scheme and the Great Southern Hotels Scheme are available for inspection by members of the schemes and their dependants but not by the general public.

Aer Rianta cpt

The majority of the Group's employees are those of the parent Company, Aer Rianta cpt, whose permanent employees over the age of twenty are members of the Irish Airlines (General Employees) Superannuation Scheme. This scheme is operated in conjunction with a number of other employers. The Company's current and past employees comprise a minority of the membership of this multi-employer scheme.

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for the year ended 31 December 2003

30. Pensions (continued)

The Company and employees contribute a fixed percentage of salaries each year to this scheme which does not vary according to the funded level of the scheme. Accordingly no additional disclosures in the context of reporting under Financial Reporting Standard 17 (FRS 17), “Retirement Benefits” are required.

It is the intention of the Company, subject to Ministerial approval, to set up its own defined benefit pension scheme for eligible Aer Rianta cpt employees.

The Company also operates a supplementary pension scheme for certain categories of existing employees in the Company as at the operative date, to provide certain prospective post retirement pension benefits. The scheme is only recently established and an actuarial valuation is not yet available, consequently it is not yet possible to determine the relevant disclosure amounts under FRS 17.

The pension costs to the Company for the financial year in relation to the above schemes amounted to €5.8 million (2002: €5.6 million).

Aer Rianta International cpt

Aer Rianta International cpt operates a defined contribution pension scheme for all its full time permanent employees who have attained the age of 24 years. The pension cost in relation to this scheme for the financial year amount to €0.4 million (2002: €0.3 million).

Great Southern Hotels Group

(a) SSAP 24 “ Accounting for Pension Costs” disclosures

Great Southern Hotels Group operates a Revenue approved defined benefit pension scheme covering that group's permanent employees over the age of twenty. The contributions payable to the scheme by the group and the members are laid down in the scheme rules and are made in accordance with the advice of an independent qualified actuary and an actuarial valuation of the assets and liabilities of the scheme is carried out at intervals of three years.

The latest actuarial valuation of the scheme was carried out on 1 May 2003 using the Aggregate Funding Method whereby the value of the liabilities was calculated taking into account the pensionable service completed by each member up to the valuation date together with the pensionable service which each member could complete in the future before withdrawing from the scheme. For the purposes of the valuation it was assumed that the long-term rate of investment return would exceed the general level of salary inflation by 2% per annum and that the age of retirement would be 65 for all members. The actuarial valuation disclosed that the scheme is adequately funded on a discontinuance basis. The actuarial valuation also disclosed that the mid-market value of the scheme's assets amounted to €7.4 million and that the level of funding was 94%.

The cost in relation to this scheme for the financial year amounted to €0.4 million (2002: €0.3 million).

(b) FRS 17 “Retirement Benefits” disclosures

An independent actuarial review as at 31 December 2003 disclosed a net deficit of the present value of accrued scheme liabilities of €3.0 million (2002: €3.3 million) over the total fair value of assets.

Had FRS 17 been reflected in the primary financial statements of the Great Southern Hotels Group, the following are the amounts that would have been included in the profit and loss account and the statement of total recognised gains and losses of the group:

	2003 €000	2002 €000
Net charge to operating profit	471	391
Net (increase)/decrease in finance costs	(75)	90
Net movement included in statement of total recognised gains and losses	568	(3,372)

The full disclosures required under FRS 17 are set out in the consolidated financial statements of Great Southern Hotels Limited.

31. Comparative figures

Comparative figures have been regrouped where necessary on the same basis as those for the current year.

32. Approval of financial statements

The financial statements were approved by the Board on 30 April 2004.

Five year summary of financial results

	2003 €000	2002 €000	2001 €000	2000 €000	1999 €000
Operating results					
Turnover	**436,868**	420,874	438,320	424,992	371,949
Group EBITDA	**72,625**	69,804	72,553	84,749	72,366
Group operating profit	**29,580**	33,274	41,958	57,627	49,336
Share of profits of associates and joint venture	**19,061**	42,638	25,245	25,443	15,990
Net interest payable – Group, joint venture and associates and investment income	**(34,493)**	(31,568)	(25,785)	(17,721)	(11,704)
Group exceptional items	**7,318**	6,056	(23,228)	–	–
Profit before taxation	**21,466**	50,400	18,190	65,349	53,622
Taxation	**(1,453)**	(14,172)	(6,627)	(19,739)	(14,231)
Minority interest	**233**	(5)	4	6	24
Profit for the financial year	**20,246**	36,223	11,567	45,616	39,415
Capital employed					
Tangible fixed assets	**706,880**	698,394	638,943	545,836	491,690
Intangible fixed assets	**6,257**	7,883	8,448	10,315	11,495
Financial fixed assets	**175,981**	186,017	180,999	153,788	108,052
Net current (liabilities)/assets	**(3,597)**	17,490	(40,030)	(52,312)	(67,389)
Total assets less current liabilities	**885,521**	909,784	788,360	657,627	543,848
Creditors over one year	**(448,333)**	(463,444)	(354,078)	(263,529)	(202,152)
Capital grants	**(27,686)**	(30,437)	(32,150)	(33,873)	(35,621)
Provisions for liabilities and charges	**(6,890)**	(12,628)	(29,994)	(2,385)	(429)
Net assets	**402,612**	403,275	372,138	357,840	305,646

Five year summary of financial results continued

	2003 €000	2002 €000	2001 €000	2000 €000	1999 €000
Summary Cash Flow					
Cash flow from operating activities	**80,139**	63,296	82,897	78,771	62,602
Payments in respect of exceptional restructuring programme	**(4,305)**	(18,697)	–	–	–
Dividends from associated undertakings	**4,454**	3,571	5,268	2,931	664
	80,288	48,170	88,165	81,702	63,266
Net interest paid/investment income	**(23,052)**	(18,352)	(5,212)	(11,655)	(7,367)
Taxation paid	**(1,503)**	(930)	(10,406)	(9,537)	(629)
	55,733	28,888	72,547	60,510	55,270
Investment in tangible fixed assets	**(59,758)**	(94,963)	(114,590)	(94,316)	(132,085)
Capital grants received	**–**	–	–	–	25
Investment in/loans to associated and joint venture undertakings and financial assets	**1,974**	4,011	(17,764)	(23,669)	2,220
Purchase of subsidiary undertakings including the related financial assets	**(2,099)**	2,352	–	–	–
Sale of tangible and financial assets	**11,380**	6,953	5,583	–	88
	(48,503)	(81,647)	(126,771)	(117,985)	(129,752)
	7,230	(52,759)	(54,224)	(57,475)	(74,482)
Dividends	**(7,245)**	–	–	–	–
Cash outflow before management of liquid resources and financing	**(15)**	(52,759)	(54,224)	(57,475)	(74,482)
Net debt					
Group net debt at year end	**377,420**	375,789	320,566	266,253	208,262

Five year summary of passenger statistics

Passengers	2003	2002	2001	2000	1999
Overall					
Transatlantic	**1,697,388**	1,417,268	1,616,680	1,649,446	1,462,686
Great Britain	**9,870,928**	9,615,579	9,127,224	9,122,192	8,725,929
Europe	**7,298,453**	6,677,365	6,012,375	5,362,380	4,541,645
Domestic	**1,072,045**	1,042,135	1,121,304	1,135,880	1,054,252
Transit	**500,104**	560,297	636,447	662,042	707,647
Total	**20,438,918**	19,312,644	18,514,030	17,931,940	16,492,159
Percentage growth year-on-year	**+5.8%**	+4.3%	+3.2%	+8.7%	+11.5%
Dublin					
Transatlantic	**1,011,861**	798,902	939,329	966,451	829,759
Great Britain	**7,948,276**	7,884,031	7,438,259	7,419,183	7,226,495
Europe	**6,135,378**	5,627,552	5,169,717	4,644,792	3,989,831
Domestic	**675,662**	650,965	656,834	661,062	610,962
Transit	**84,907**	123,217	129,416	152,040	144,984
Total	**15,856,084**	15,084,667	14,333,555	13,843,528	12,802,031
Percentage growth year-on-year	**+5.1%**	+5.2%	+3.5%	+8.1%	+9.9%
Shannon					
Transatlantic	**685,312**	617,877	677,068	682,715	632,780
Great Britain	**713,658**	702,313	714,285	751,176	609,587
Europe	**466,759**	495,324	363,251	317,264	221,089
Domestic	**135,740**	117,871	158,362	164,665	182,070
Transit	**399,208**	420,145	491,692	492,432	542,628
Total	**2,400,677**	2,353,530	2,404,658	2,408,252	2,188,154
Percentage growth year-on-year	**+2.0%**	–2.1%	–0.1%	+10.1%	+18.9%
Cork					
Transatlantic	**215**	489	283	280	147
Great Britain	**1,208,994**	1,029,235	974,680	951,833	889,847
Europe	**696,316**	554,489	479,407	400,324	330,725
Domestic	**260,643**	273,299	306,108	310,153	261,220
Transit	**15,989**	16,935	15,339	17,570	20,035
Total	**2,182,157**	1,874,447	1,775,817	1,680,160	1,501,974
Percentage growth year-on-year	**+16.4%**	+5.6%	+5.7%	+11.9%	+14.2%
Terminal freight including Mail (metric tonnes)					
Dublin	**133,871**	116,739	140,126	150,023	145,391
Shannon	**47,473**	48,094	50,181	53,398	45,974
Cork	**13,720**	12,852	11,743	10,894	11,047
Total	**195,064**	177,685	202,050	214,315	202,412
Percentage growth year-on-year	**+9.8%**	–12.0%	–5.7%	+5.9%	+5.7%

Summary of aircraft movements

Aircraft movements	2003	2002	2001	2000	1999
Overall					
Commercial					
– Scheduled	**186,028**	177,656	182,260	175,542	160,115
– Non Scheduled	**26,292**	25,723	24,119	22,021	21,400
– Cargo	**12,730**	13,447	15,702	18,451	17,712
Total Commercial Air Transport Movements	**225,050**	216,826	222,081	216,014	199,227
Percentage growth year-on-year	**+3.8%**	–2.4%	+2.8%	+8.4%	+7.8%
Others	**44,639**	46,827	62,186	68,442	65,720
Total Aircraft Movements	**269,689**	263,653	284,267	284,456	264,947
Dublin					
Commercial					
– Scheduled	**143,250**	142,805	144,474	133,194	128,054
– Non-Scheduled	**12,288**	14,487	14,637	15,393	12,351
– Cargo	**7,395**	8,728	10,952	13,611	12,693
Total Commercial Air Transport Movements	**162,933**	166,020	170,063	162,198	153,098
Percentage growth year-on-year	**–1.9%**	–2.4%	+4.8%	+5.9%	+5.7%
Others	**14,848**	15,854	15,639	18,047	17,323
Total Aircraft Movements	**177,781**	181,874	185,702	180,245	170,421
Shannon					
Commercial					
– Scheduled	**15,709**	15,455	18,282	19,069	15,837
– Non-Scheduled	**7,586**	7,572	5,395	5,201	6,002
– Cargo	**3,842**	3,194	3,234	3,312	3,415
Total Commercial Air Transport Movements	**27,137**	26,221	26,911	27,582	25,254
Percentage growth year-on-year	**+3.5%**	–2.6%	–2.4%	+9.2%	+16.1%
Others	**10,504**	10,642	21,073	26,285	26,160
Total Aircraft Movements	**37,641**	36,863	47,984	53,867	51,414
Cork					
Commercial					
– Scheduled	**27,069**	19,396	19,504	23,279	16,224
– Non-Scheduled	**6,418**	3,664	4,087	1,427	3,047
– Cargo	**1,493**	1,525	1,516	1,528	1,604
Total Commercial Air Transport Movements	**34,980**	24,585	25,107	26,234	20,875
Percentage growth year-on-year	**+42.3%**	–2.1%	–4.3%	+25.7%	+14.2%
Others	**19,287**	20,331	25,474	24,110	22,237
Total Aircraft Movements	**54,267**	44,916	50,581	50,344	43,112

General business and aeronautical information

Dublin Airport

Location	Lat.532517N, Long.061612W(midpoint runway 10/28)	
Elevation	242 ft. AMSL	
Runway Data	10/28	Length 2637 metres – Width 45 metres plus 7.5 m shoulders each side Surface concrete, Category IIIA (runway 28), Category II (runway10)
	16/34	Length 2072 metres – Width 61 metres Surface asphalt, Category 1 (runway 16) Non inst (runway 34)
	11/29	Length 1357 metres – Width 61 metres Surface asphalt – concrete N. Inst
Refueling	Full refueling facilities available – AVGAS 100 LL, JET A1	
Operational Hrs	24 hrs	
Postal Address	Dublin Airport, Co. Dublin, Ireland	
Fax Number	(01) 814 1034 (09:00 – 17: 00) (01) 814 4643 (24hrs)	
Telephone Number	National (01) 814 1111 Intl 353 1 814 1111	
Web	www.dublinairport.com	
Sita	DUBRB7X (Airport Administration) DUBYREI (Operations)	

Cork Airport

Location	Lat.515029N, Long. 082928W	
Elevation	502 ft . AMSL	
Runway Data	17/35	Length 2133 metres – Width 45 metres plus 7.5 m shoulders each side Surface asphalt, Category 2
	07/25	Length 1310 metres – Width 45 metres Surface concrete N. Inst.
Refueling	Full refueling facilities available	
Operational Hrs	24 hrs	
Postal Address	Cork Airport, Co. Cork, Ireland	
Fax Number	(021) 431 3442	
Telephone Number	National (021) 431 3131 Intl 353 21 431 3131	
Web	www.corkairport.com	
Sita	ORKARXH	

Shannon Airport

Location	Lat. 524207N, Long. 085529W	
Elevation	46ft. AMSL	
Runway Data	06/24	Length 3199 metres – Width 45 metres plus 8m shoulders each side Surface asphalt, Category 2 (Runway 24)
	13/31	Length 1720 metres – Width 45 metres Surface asphalt – concrete N.Inst
Refueling	Hydrant and mobile refueling available – Jet A1 and Avgas available	
Operational Hrs	24 hrs	
Postal Address	Shannon Airport, Co. Clare, Ireland	
Fax Number	(061) 712282 (Airport Operations Dept) (061) 471719 (Shannon Aviation Fuels)	
Telephone Number	National (061) 712000 (24 hr) Intl 353 61 712000 (24 hr)	
Web	www.shannonairport.com	
Sita	SNN RRCR	

General business and aeronautical information continued

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