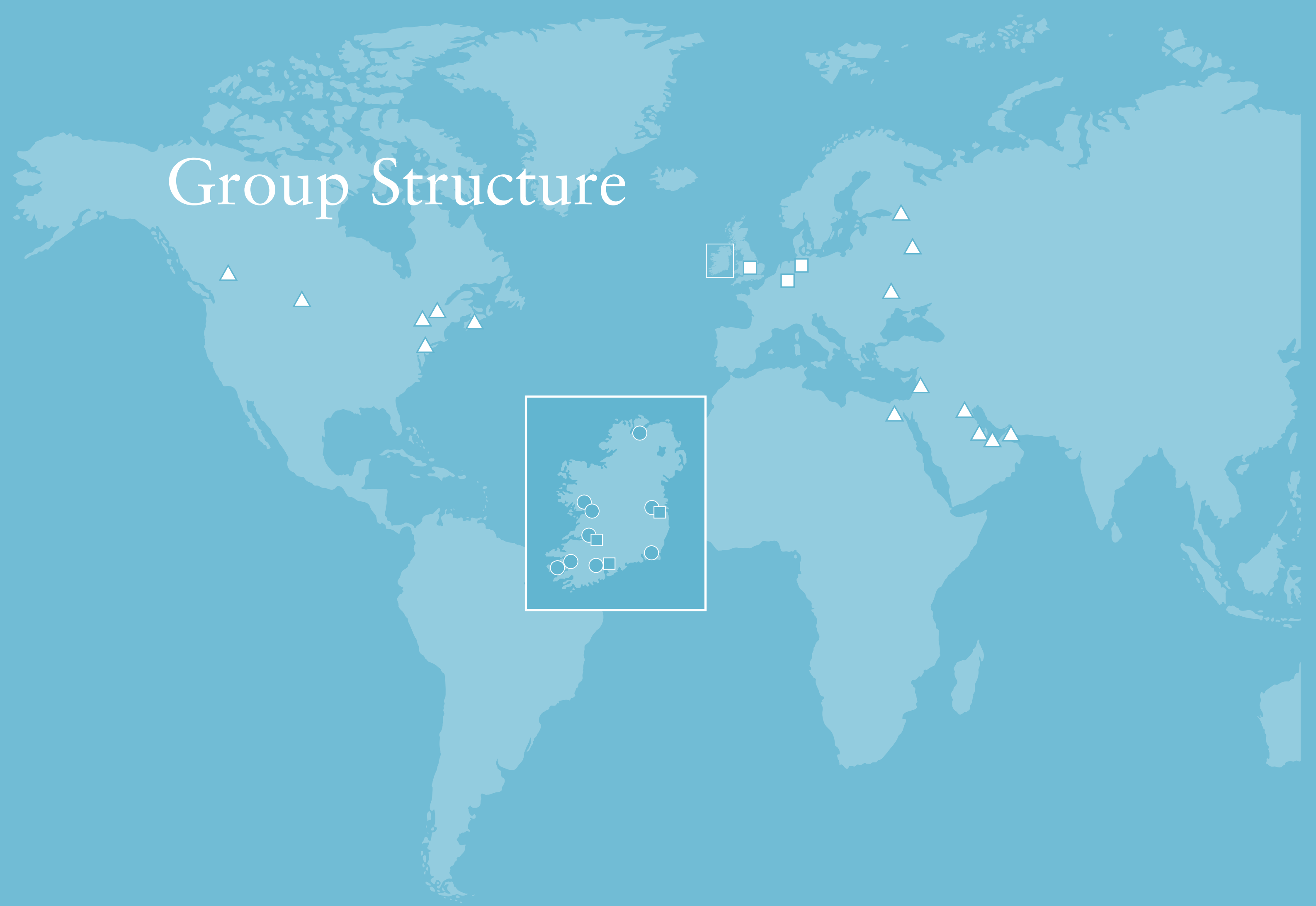
Dublin Airport Authority plc

Údarás Aerfort Bhaile Átha Cliath cpt

Annual Report and Accounts 2005

Group Structure



Dublin Airport Authority plc	□ Dublin Airport | Shannon Airport | Cork Airport		
Aer Rianta International	■ AIRPORTS	Birmingham | Düsseldorf | Hamburg	
AIRPORT RETAILING	▲ CIS	Moscow | St.Petersburg | Kiev	
	▲ Middle East	Bahrain | Beirut | Egypt | 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

DECLAN COLLIER, 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

ROBERT HILLIARD, Director - Dublin Airport

DAMIAN LENAGH, Director - Human Resources

JACK MACGOWAN, Director - Commercial

MARTIN MORONEY, Director - Shannon Airport

FRANK O'CONNELL, Director - Retail

PAT KEOHANE, Director - Cork Airport

JOHN O'MAHONEY, Chief Executive - Great Southern Hotels

VINCENT WALL, Director - Communications

Contents

The Dublin Airport Authority's vision is to deliver a quality airport travel experience to the best international standards

Gary McGann *Chairman*

Gary McGann held various senior management positions in Irish industry, including LM Ericsson Holdings, Gilbeys of Ireland and Grand Metropolitan Finance, prior to joining Aer Lingus as Group Chief Executive in 1994. In 1998, he joined the Smurfit Group as Chief Financial Officer and was appointed President and Chief Operations Officer the following year. Elected to the Board of Smurfit Group in 2000, he was appointed Chief Executive Officer in 2002. During 2005 he oversaw the successful merger of the Smurfit and Kappa Groups to create the Smurfit Kappa Group, of which he is chief executive. Gary is the current President of IBEC.

Colm Barrington

Colm Barrington is Managing Director of Babcock & Brown Limited, the Irish subsidiary of the Australian based global investment company, where he specialises in aircraft financing. Prior to joining Babcock & Brown in 1994, Colm held various positions in the aviation financing industry, including as President of GE Capital Aviation Services Limited, Chief Operating Officer of GPA Group plc and Chief Executive of GPA Capital. He started his career with Aer Lingus, where he specialised in planning, hotel acquisitions and hotel financing.

Declan Collier

Declan Collier joined the Dublin Airport Authority as Chief Executive in April 2005. Prior to his appointment, Declan worked all his professional career with ExxonMobil. Having joined Exxon's Irish subsidiary company, Esso Ireland Ltd, in 1978, he subsequently held various senior management positions in Ireland and the UK, including from 2000 to 2002, Chairman and Lead Country Manager, Esso Ireland Ltd. From 2002 to 2005, Declan was based in the UK as Alternative Fuels & District Heating Manager, European Zone, ExxonMobil.

Bill Cullen

Bill Cullen has been Chairman and owner of Renault Ireland, one of Ireland's largest automotive retail and service companies, since he acquired the business in 1986. A successful author, he is also President of the Irish Youth Foundation, where he has been the principal driver of successful fundraising campaigns for youth projects throughout Ireland.

Des Cummins

Des Cummins is Chairman of the Cummins Group that employs over 50 people in Ireland and the UK. A member of the National Executive of the Small Firms Association for the past ten years, he has participated in Government-sponsored Task Forces on Small Businesses and Company Law Reform. He is a member of Comhar, the National Sustainable Development Partnership.

Mary Davis

Mary Davis is CEO, Special Olympics Ireland and former Chief Executive of the World Special Olympic Games held in Ireland in 2003. Appointed by President McAleese as a Member of the Council of State in 2004, she is currently Chairperson of the St. Patrick's Festival. More recently she was appointed by the Taoiseach as Chair of the task force on Active Citizenship.

Pat Fitzgerald

Pat Fitzgerald was appointed to the Board in March 2005 under the Worker Participation (State Enterprises) Acts, 1977 and 1988. He was first appointed to the Board of Aer Rianta in 1994 and re-appointed in January 1998 and January 2002. Pat joined the company in 1966 and works in the Catering Department at Shannon Airport.

Board of Directors

Sir Michael Hodgkinson

Sir Michael Hodgkinson joined the British Airports Authority (BAA) in 1992 as Group Airport Director, having held senior management positions in the motor and food industries in Britain and Europe. During his twelve years at BAA, including from 1999 to 2003 as Chief Executive, he had responsibility for expansion planning at BAA's airports including Heathrow and Stansted. He is a member of the UK's Commission for Integrated Transport, the UK Airports Advisory Council and the Transport for London Committee.

Marion Keating

Marion Keating was appointed to the Board in March 2005 under the Worker Participation (State Enterprises) Acts, 1977 and 1988. She joined the company in 1976 and over the past 30 years has worked in the Human Resources, Corporate Marketing and Retail Marketing Departments. Since 1994 she has managed the company's Employee Assistance Programme, which provides information, advice, counselling and referral services to Dublin Airport staff. She is a member of EAPA, the Employee Assistance Professionals Association and a member of the Business and Life Coaching Association of Ireland.

Brian Lynch

Brian Lynch was appointed to the Board in March 2005 under the Worker Participation (State Enterprises) Acts, 1977 and 1988. He has worked at Dublin Airport for the past twenty years and has been manager of the Cleaning Section for the past ten. He is a member of S.I.P.T.U. and has represented the Cleaning Section at Local and Branch level for many years. At present he is the Chairperson of the Dublin Airport Authority Section of the Professional & Managerial Branch.

Barry Nevin

Barry Nevin was appointed to the Board in March 2005 under the Worker Participation (State Enterprises) Acts, 1977 and 1988. Barry joined the company in 1990 and works in the Airport Police/Fire Service. He is a member of the National Executive of SIPTU, and the Dublin Airport Authority Group of unions.

Marie O'Connor

Marie O' Connor has been an audit partner with PricewaterhouseCoopers since 1986. As the firm's Investment Manager and Financial Services Leader, her most recent focus has been on advising international companies developing operations in Dublin's International Financial Services Centre. Marie is currently a board member of the American Chamber of Commerce in Ireland and of the Irish Chapter of the Irish US Council for Commerce and Industry.

Anthony Spollen

Anthony Spollen is an international consultant and advisor on internal audit issues and standards and has advised the European Union Economic and Social Committee, amongst others, on financial regulation matters. During his previous career at AIB, the major Irish bank, he was Financial Controller of Allied Irish Investment Bank for seventeen years and subsequently Head of Group Internal Audit at AIB itself for five years.

Chairman's Statement

In 2005 the Dublin Airport Authority (DAA) made progress in addressing the many challenges facing the company and Ireland's major state-owned airports; regretfully, the level of progress achieved has not been sufficient as yet to impact materially on the scale and range of those challenges.

On the positive side, the decision by Government last May to sanction the construction of a second passenger terminal and other major infrastructure at Dublin Airport was very welcome. It had become clear to all users of the airport that significant new investment was required to manage sustained aviation traffic growth of over one million additional passengers per year with any objective degree of comfort, efficiency and safety.

The DAA is highly cognisant of the responsibility awarded to it by its shareholder to deliver significant and timely enhancement of passenger and airfield capacity at Dublin Airport and has responded swiftly and purposefully to the task. Based on the platform of a comprehensive airport master planning process, carried out over recent years, the company published a detailed development programme for Dublin Airport last September.

This ten-year programme incorporating over 120 separate infrastructure projects will as its core development deliver a second passenger terminal and two new piers at Dublin Airport within the next four years. Given the current complex planning environment in Ireland this is a very demanding timeframe. But the DAA is determined to meet this and the many other key deadlines ahead for the benefit of all its customers and stakeholders.

Much progress has been made in augmenting the existing management expertise throughout the company with new senior appointments. In this regard, the appointment of Declan Collier as chief executive of the DAA last spring has brought new leadership, professionalism and strategic focus to the company and its employees.

Chairman's Statement *(continued)*

In a relatively short space of time, he and his management team have convinced many key stakeholders that the DAA can and will deliver the airport infrastructure required by our growing economy and that such investment needs to be remunerated by an appropriate level of airport charges. The appointment of Pat Keohane as Chief Executive of Cork Airport and of new commercial and marketing executives at Cork and Dublin Airports will enhance the prospects of delivery of the company's commercial mandate and business objectives.

Unfortunately, despite much hard work and clear argument on the part of the company, the outcome of the regulatory determination for Dublin Airport, as announced by the Commission for Aviation Regulation (the Commission) last September, was not satisfactory.

Airport charges as determined by the Commission are the principal source of revenue from the core business by which the DAA covers all operational costs and capital investment at its airports. As a fully commercial organisation, the company does not benefit from any Exchequer support and under the so-called single till regulatory mechanism, all its retail and other commercial revenues are taken into account when determining the maximum airport charge. Under this mechanism the Commission takes a view as to how much revenue the company will generate from commercial activities over a set period of time and then determines the maximum airport charge needed in order to achieve its assessment of the company's overall revenue requirements during that period.

The Commission's current determination of a maximum average charge per passenger at Dublin Airport of €6.14 in real terms for the next four years compares with a current equivalent charge at principal European airports of approximately €11 per passenger. This leaves Dublin Airport significantly under-funded at a time when it must deliver a €1.2 billion development programme at the airport over the next decade and much of its more critical and costly components, over the next four years.

In deference to the remit from its shareholder and the urgent needs of its customers, the Board of the DAA has decided to move ahead with the initial phase of the development programme at Dublin Airport despite the current unsatisfactory regulatory position. The company has availed of the statutory process to appeal the basis of the Commission's overall determination and will continue to press for an early review by the Commission of the key capital investment component of that determination. With the continued support of many of our stakeholders, we must hope these avenues will deliver a more appropriate outcome as rapidly as possible. Otherwise, the company may have to compromise in time or scale, the delivery of the investment required by Dublin Airport and/or the achievement of the other key Government policy requirement, namely the establishment of separate, autonomous airports at Dublin, Shannon and Cork.

It has been argued in some quarters that the DAA should dispose of some of its assets in order to pay for the development of Dublin or Cork Airports, rather than seek an appropriate level of airport charges to remunerate these investments.

The DAA will not retain assets from which it can neither generate a commercial return, nor restructure sufficiently to deliver commerciality within a reasonable timeframe. In this context, it has made clear that the sale of the loss-making Great Southern Hotels Group is the

Chairman's Statement *(continued)*

most appropriate decision for that subsidiary company and moves are afoot to execute this decision in the most optimal fashion having regard to all stakeholders and the process of disposal is underway.

The DAA will not, however, dispose of assets that are generating a commercial return and that are likely to enhance their value over time simply to provide a short-term subsidy to some users of its airports that are more than capable of paying appropriately for the facilities and services they use. This company must decide on the basis of its commercial mandate and having regard to the requirements of its shareholder how it manages its assets in the best interests of all its stakeholders.

With regard to the implementation of airport separation, the principal objective of the State Airports Act 2004, progress has been slow. The timeframe reflects company law requirements whereby the DAA needs sufficient distributable reserves to facilitate the transfer of Shannon and Cork Airports as a dividend, either sequentially or together. As matters currently stand, the DAA does not have sufficient distributable reserves though the Board will seek to increase the value of its reserves over time.

The State Airports Act sets out clear criteria by which the Shannon and Cork Airport Authorities may be in a position to operate as autonomous commercial entities. Principally, with the DAA, they must submit detailed business plans to the Minister for Finance and the Minister for Transport that demonstrate the operational and commercial viability of stand alone airports.

These strategic business plans are not yet complete though significant time and effort has been expended in developing them by the respective boards, management and staff of the three airport authorities and by their advisers.

The principal outstanding issue for the Shannon Airport Authority is the securing of agreement with staff and their trade union representatives of a comprehensive restructuring programme, which is vitally needed to make Shannon Airport's cost base sufficiently competitive to deliver sustainable profits in the markets in which it operates. This requirement is all the more pressing for Shannon Airport as it now faces the definite prospect of an "Open Skies" environment and the competitive pressures on its transatlantic traffic that will follow.

Notwithstanding the many claims on its scarce capital resources, the DAA has been prepared to support a restructuring programme at Shannon Airport with a generous voluntary severance package. Despite this offer and the obvious pressing business challenges facing Shannon Airport, we have been very disappointed with the lack of meaningful engagement by the trade unions on this issue. It is now urgent that such engagement takes place so that Shannon Airport can continue to sustain commercially viable employment opportunities and act as a key economic gateway for the West of Ireland. Given all the other claims on the DAA's resources, it will not be able to support a loss-making Shannon Airport.

Completion of the Cork Airport Authority strategic business plan centres on a resolution of how the investment in the new facilities at Cork Airport is remunerated. I have no wish or intention to enter the political debate that has been growing about this issue for some time. But it is incumbent on me to highlight that all investments, regardless of scale, must be remunerated and should be remunerated by the users of those facilities.

Chairman's Statement *(continued)*

It is also important to point out that there is a direct link between the levels of any residual liability for the Cork Airport development retained by the DAA and the amount of distributable reserves held by the DAA. Based on all reasonable forecasts it will not be possible to achieve a "debt-free" Cork Airport Authority and a separate, autonomous Cork Airport Authority for some considerable time to come. The boards and management of both the Dublin and Cork Airport Authorities continue to work towards a resolution of this challenging issue and towards an appropriate charging structure that will balance the need for continued traffic growth, commercial viability and the remuneration of the developments at Cork Airport.

On behalf of my Board colleagues and the management of the DAA, I would like to thank the Minister for Transport, Martin Cullen, T.D., for his support during 2005. My thanks also to Julie O' Neill, Secretary General of the Department of Transport, John Murphy, Assistant Secretary of the Department of Transport and all their colleagues for their professional commitment to the development of aviation policy and their understanding of the challenges faced by the DAA. I would also like to extend gratitude to Tom Considine, Secretary General of the Department of Finance and to his colleagues for their continuing support.

I would like to express my particular appreciation to my fellow board members, including Declan Collier who joined as Chief Executive in April, for their professionalism and support both at full board level and in the work of the various board committees during 2005; and the management and staff of the DAA for their commitment and dedication.

Gary McGann
Chairman

13 March 2006

Chief Executive's Review

At an operational level the steady progress achieved by the DAA towards higher profitability continued through 2005.

This trend was driven principally by further strong passenger growth at the company's three Irish airports, a significant increase in the contribution from its overseas operations and investments, and ongoing effective management of those costs directly within the company's control.

Overall passenger numbers through Dublin, Shannon and Cork Airports rose by an impressive 12.4% to 24.5 million. Growth in turnover across the company continued to match passenger traffic very closely and including other Group activities increased by 13% or €59 million to €525 million.

All key measures of profitability also moved in a positive direction. EBITDA (earnings before interest, taxation, depreciation and amortisation) rose by €21 million to €111 million; net cash flow from operating activities at €121 million was €23 million higher than the previous year; and profit for the financial year increased by 63% to €50 million.

These trends are very welcome but the company is still some way from generating sufficient profits to finance the major capital investment programme it has launched at Dublin Airport within objectively-measured and prudent parameters of financial risk. Profit levels are also well below the levels delivered by many of its peer group of airports.

While net debt levels at the close of 2005 remained relatively stable at €380 million, the Group's borrowing requirements will have to accelerate rapidly to fund the €1.2 billion Dublin Airport Development Programme supported by an appropriate increase in airport charges and profitability.

Debt is an essential component of any organisation's capital structure and the DAA is prepared to raise its borrowings to the current statutory limit of €700 million and above, if mutually agreed with our shareholder. However, to do so it is essential to achieve sufficient profitability to assure current and prospective lenders that we can service and renew our borrowings

Chief Executive's Review *(continued)*

whilst retaining an appropriate credit rating and recognising the strong expansion activity that currently underpins our numbers.

This issue of appropriate financing is fundamental to the company as it seeks to make the investment in capacity at Dublin Airport required urgently by its shareholder, its passengers and other customers. Of the overall €1.2 billion in funding required, over 80% will be spent on providing new capacity. The bulk of that infrastructure investment will be made over the next four years to deliver Dublin Airport's second passenger terminal, two new passenger piers and other associated infrastructure.

The requirement for appropriate financing capability underpinned the arguments made by the company to the Commission for Aviation Regulation (the Commission) in seeking an average airport charge per passenger of €7.50 over the current four-year regulatory period. While still well below the European average, this level of airport charge would have enabled the DAA to make the significant investment required while sourcing its borrowing requirements at the lowest possible cost and insulating its balance sheet to some degree against the impact of any aviation industry slow-down or unexpected economic shock.

As the DAA sets out on the largest construction programme it has ever undertaken, the Commission's decision to award an average maximum charge per passenger of €6.14 in real terms over the period 2006-2009 leaves the company unsure of whether it can retain the capital cost benefits of its current A credit rating and more vulnerable than it should be to any changes in the current benign economic environment. This situation highlights the importance of securing a favourable outcome to the appeal of the Commission's recent determination and of securing an early review by the Commission of the company's capital investment requirements.

This is not merely an abstract accounting issue. The degree to which the DAA can fund its full airport investment programme cost-effectively and prudently will determine the minimum levels of service we can deliver to our customers in terms of space, comfort and efficiency and how quickly we can achieve acceptable and sustained passenger service standards particularly at peak traffic periods.

The good news for our customers is that the initial phase of the development programme is underway. Since last autumn when we published details of the range of infrastructure we intend to provide at Dublin Airport, the company is putting in place the structures and resources required to move efficiently through the procurement, consultation and planning phases.

Reflecting the challenging timeline involved, the scale of the overall programme and Dublin Airport's critical importance as a gateway to Ireland and its economy, we have appointed external consultancy partners of the highest international calibre to work with our own management teams in project managing, designing and constructing the new airport infrastructure with a view to delivery on time and on budget.

The DAA is determined to deliver the Dublin Airport Development Programme to the highest professional standards; not just in constructing the various buildings, road systems and airfield projects, but also in managing the detailed stakeholder consultation processes that will inform each major component of the programme and the communication of timely and relevant information as it takes shape.

In terms of the planning and sequencing of the programme, we are also determined to impact as minimally as possible on existing operations at the airport. It is

Chief Executive's Review *(continued)*

impossible to deliver infrastructure of this scale at a functioning airport without some element of disruption. In this regard we are committed to keeping all users of the Airport informed of planned developments and request their continued patience and support as we work to deliver this much-needed enhancement of facilities and services.

Preliminary construction work has begun on Pier D and delivery of this facility, comprising 14 new aircraft boarding gates, is scheduled for the Autumn of 2007. A planning application for the second passenger terminal and the associated Pier E will be lodged by this summer so as to meet the Government's requirement to have these facilities operational by late 2009.

These high profile elements of the overall programme will require significant additional investment in roads, parking and kerbside infrastructure throughout the airport campus. Less visible but still significant expenditure will also be required to provide the airfield surfaces needed for the taxiing and parking of growing volumes of aircraft traffic.

While one key element of Dublin Airport's overall growth potential is determined by its terminals and piers, a more critical determinant of how quickly it can expand is the capacity of its runway system. In this regard, a planning application and all requested supplementary information has been lodged with Fingal County Council for a new parallel runway to the north of Dublin Airport's existing main runway. As part of our ongoing consultation with our airline customers about their business plans we are keeping the optimal date for delivery of a new operational runway under constant review. The pace of this development will continue to be driven by customer needs, the optimisation of existing capacity and prudent forward planning.

The DAA understands the legitimate concerns of some people living close to Dublin Airport about the impact of the new runway on their community. The company is committed to ongoing and full engagement about any such concerns and to abide fully by the requirements of the final planning decision. But it is important to stress that all other airport infrastructural developments whether to the east or the west of the airfield will have little relevance in the longer term unless a new parallel runway is built. As a key platform for the economic growth of our capital city and the island of Ireland as a whole, it is critical that the runway project wins the active support of all our major stakeholders as we enter the next phase of the planning process.

Dublin Airport faces more immediate challenges in managing the impact of continued strong traffic growth. This growth is likely to accelerate further in 2006. Current indications suggest that Dublin Airport's passenger traffic could rise by up to 10% this year and push close to or through the 20 million passengers per annum threshold for the first time.

I have made clear since I joined this company last April that there will not be a significant enhancement in the passenger experience at Dublin Airport until the second terminal is built. This is so even with the opening of Pier D in 18 months time as all passengers will still have to pass through the existing constrained terminal building.

That said, we have detailed plans to mitigate, to the fullest extent possible, the negative impact of our constrained facilities even as we deliver the new development programme. These measures include the provision of additional space for new check-in facilities below the existing arrivals floor, an extension of the existing terminal building, scheduled for completion in early 2008, and the maximisation of existing space on the departures floor by relocating certain services. Passenger throughput will also be enhanced by working closely with our airline customers to support even greater utilisation of new

Chief Executive's Review *(continued)*

technologies such as internet and self-service check-in. And we will ensure a visible presence of our own staff, both full-time customer-service personnel and a supplementary summer volunteer task force, throughout the terminal to provide passenger information and direct passenger flows.

Last year saw Dublin Airport experience particular challenges with regard to passenger security screening processes. Most major airports experience similar challenges from time to time. We responded as swiftly as possible to the impact of enhanced security measures by opening six new passenger security channels and by recruiting and training upwards of 150 new security staff. I acknowledge that many of our passengers experienced additional inconvenience as we responded to the changed circumstances early last summer and I would like to reiterate my gratitude for their patience and understanding. Passenger security is a key priority for us at all three airports and we keep our processes and equipment under constant review so as to achieve the most appropriate balance between passenger comfort and security.

Airports by their nature are labour-intensive operations and the requirement to provide high levels of service on a 24-hour basis every day of the year inevitably increases labour and other operational costs. Total operating costs across the group (excluding cost of sales, depreciation and amortisation) increased by 7.5% last year to €280 million. Some of these additional costs reflected higher recruitment levels in passenger security and in some of our overseas operations whilst the bulk of the increase reflected pay increases agreed under the Sustaining Progress National Partnership Agreement and incremental steps on the company's pay scales.

The DAA is committed to managing its costs so as to provide the best value possible to our customers and to maximise the return to our shareholder. In this regard, it is pleasing to note that operating costs per passenger at the three airports declined by over 3% last year and that consultants commissioned by the Commission for Aviation Regulation confirmed that Dublin Airport's core costs per passenger were the second lowest of a 25-member group of peer airports surveyed across Europe.

As this company continues to address the opportunities and challenges presented by a rapidly-changing aviation environment and by the policy objectives of our shareholder, it is essential that our business objectives are clear and focused, our processes are streamlined and consistent, our structures are sufficiently robust to achieve our business goals and sufficiently flexible to adapt to changing circumstances.

In this regard we are currently engaged in a comprehensive change-management process at every level throughout the company to refocus and clarify our key strategic and business objectives and to ensure our structures and processes are appropriate to the needs of a high-performing, customer-centered, commercial organisation. I am confident that by so doing, we will re-invigorate the deep reserves of pride and expertise within the company itself, provide an enhanced service to all our customers and put in place the structures required of all our business units, regardless of how their ownership is determined in the future.

I turn now to a review of how our principal business units performed during 2005. A total of 18.5 million passengers passed through Dublin Airport last year, representing the second successive year of 8% growth. With passenger numbers projected to move close to or even surpass the 20 million threshold in 2006, Dublin Airport now has the sixth largest international traffic throughput in Europe outside the major hubs of Heathrow, Gatwick, Charles de Gaulle, Schipol and Frankfurt.

Chief Executive's Review *(continued)*

Overall, 18 new routes and 13 new services on existing routes were launched during the year and seven airlines commenced operations from Dublin Airport for the first time. At the end of the year a total of 101 airlines served 161 destinations from Dublin Airport and of these, 50 scheduled operators served 122 scheduled routes.

It was the European and transatlantic markets that again experienced strongest growth last year. European traffic grew by over 18% and a notable feature was the expansion in services to the new EU accession countries in Eastern Europe. The transatlantic market increased by 14% to 1.3 million passengers and was boosted by the launch of a new American Airlines service to Chicago in May. Domestic traffic continued to decline and was 5.5% lower at 0.65 million passengers.

Aer Lingus and Ryanair remain by far the airport's two largest airline customers and accounted for a combined 66% of Dublin Airport's overall traffic flows in 2005. Ryanair's announcement just prior to Christmas that it plans to launch 18 new routes from Dublin in 2006 was welcomed by the DAA in recognition of the value and service available to airline customers at Dublin Airport.

History was made earlier in December when Gulf Air announced the first east-bound, long-haul route from Dublin. The thrice-weekly service to Bahrain not only provides a direct service to this important region, but also offers a one-stop service to South Africa and the Far East. With Aer Lingus's plans to launch a new service to Dubai in April 2006, Dublin Airport seems set to benefit from welcome aviation traffic growth to and from the east in the years to come.

The decision by the Commission to designate Dublin Airport as a fully slot co-ordinated airport from the spring of 2006 is also welcome. As traffic continues to grow and airline demand for peak-time slots at boarding gates increases, it was becoming clear that the existing voluntary slot allocation system was proving inadequate. The new system, whereby slots will be allocated by agreed and defined rules, should help spread the usage of airfield and terminal facilities and thereby mitigate some of our space constraints at peak periods.

Capital expenditure of €25 million at Dublin Airport remained relatively constrained during the year and focused principally on maintaining and refurbishing existing infrastructure. Investment in enhanced passenger facilities included the provision of six new passenger security channels, significant new food and beverage options for passengers beyond the security channels, and the creation of additional lounge space at the departure gates in Pier A and under the Old Central Terminal Building.

Shannon Airport had a record year in many respects: a 38% increase in passenger numbers to record 3.3 million, a 35% increase in the numbers of passengers either beginning or ending their journeys at Shannon to a record 2.6 million, and a 3% rise in transatlantic passengers to a record 0.71 million.

Passenger numbers were boosted principally by Ryanair's decision to operate up to 14 services to the UK and Continental Europe from May 2005 and by the launch of new services by American Airlines, EasyJet and Hapag Lloyd Express. As a result, traffic to the UK rose by 67% while the numbers travelling to and from Continental Europe increased by almost to 50%. Overall passenger numbers were again supported by not insignificant volumes of transit traffic.

While Shannon had a successful year in terms of traffic and revenue growth, its cost base remained significantly out of line with comparable regional airports throughout Europe and with

Chief Executive's Review *(continued)*

Dublin and Cork Airports at home. This position is not sustainable particularly as Shannon Airport cannot afford to rely on its existing sources of revenue in a rapidly-changing business environment.

It now seems likely that the current Ireland-US Air Services Agreement, which requires an equal number of transatlantic services to land or depart from Shannon as from Dublin, will change to a 1:3 ratio from November 2006. By 2008, a full "Open Skies" regime may well be in place permitting airlines to fly directly to their destination of choice in Ireland or the US. While Shannon Airport, with appropriate tourism industry support, is determined to maintain a significant share of a growing transatlantic aviation market, it must prepare now for these changes by growing its traffic to the UK and Europe and by enhancing its attractiveness to airlines servicing these markets. It is also the case that the revenues generated by the military traffic currently transiting through Shannon Airport may decline or terminate very rapidly depending on geo-political developments.

It is in this regard that the Board and management of the Shannon Airport Authority launched a comprehensive restructuring programme to address the Airport's cost base and to ensure its future commercial viability. This Programme for Commercial Viability has to date had the full support of the DAA which has agreed to support generous voluntary severance measures as part of the overall Programme.

The DAA is disappointed that the trade unions represented at Shannon have not seen fit to engage meaningfully with this Programme. We urge a swift and meaningful engagement on the part of all stakeholders and stress to those who feel that time is of little consequence in this process, that as Shannon Airport's business challenges grow more onerous, the demands on the DAA's limited capital resources will increase by more than equal measure.

Passenger numbers at Cork Airport also rose strongly to 2.7 million during 2005, an increase of 21%. A total of 34 scheduled destinations were served by 15 airlines during the year, whilst a further 26 chartered destinations were also on offer to Cork Airport's customers.

The principal driver of traffic growth was the London market where passenger numbers rose by 27% to surpass the one million mark for the first time. This particular market segment was boosted by EasyJet's entry into the Irish market and by the launch by both EasyJet and Ryanair of new services to Gatwick. Passenger volumes on UK provincial routes rose by over 18% supported by the entrance of Jet2.com to the market and by new Ryanair and bmibaby services.

Traffic volumes on European routes were 25% higher boosted by the launch of five new Aer Lingus routes to continental destinations, the launch of a new Malev service to Budapest and by additional CSA Czech Airlines capacity to Prague. European chartered flights, increasingly to ski destinations, remain an important business generator for Cork Airport and accounted for nearly 18% of overall traffic last year.

The Airport's new €4 million fire station was officially opened during the summer and construction work continued apace on the new terminal building through the year. The opening date has now been set for early May 2006. The new 28,000 sq metre facility, which is more than double the size of the existing terminal building, will incorporate the latest advances in aviation, business support and environmental technology systems. Comprehensive training courses for all personnel moving to the new building commenced in the autumn. As a final element of the overall re-development of Cork Airport, the new terminal represents

Chief Executive's Review *(continued)*

a major 21st century transport and economic gateway for Cork and the wider Munster region.

Airport retailing remains a core business and again contributed well to profitability during 2005. Total retail, food and beverage sales at the three airports, including concessionaires, rose by 14% to €223 million. The strategy of developing the "Travel Value" airport shopping experience continued, underpinned by value-driven pricing and an integrated multi-media approach to retail marketing. Duty free retailing opportunities continued to be exploited. Work continued on the design and development of the retail, food and beverage facilities for the new terminal at Cork Airport. Refurbishment of the "Street" and pier-based shopping facilities at Dublin Airport commenced towards the end of the year and will be completed by mid-2006.

Aer Rianta International (ARI), the subsidiary company which manages airport retail operations in North America, the former CIS and the Middle East, and which holds minority shareholdings in Birmingham International Airport in the UK and in Dusseldorf and Hamburg Airports in Germany, had a very successful year. The profit contribution from ARI's combined interests rose to €17.4 million in 2005 from €9.4 million the previous year.

Another strong performance by its international retail operations, particularly in the former CIS, and a higher contribution from airport investments were the principal reasons for the 85% rise in ARI's profit contribution.

The trading environment at Great Southern Hotels (GSH) disimproved markedly during 2005. The combined impact of the ongoing increase in the number of competing hotel rooms, an unsustainable and uncompetitive cost base, and changing leisure industry trends led to losses of €4 million compared to a €2.2 million loss the previous year. While room occupancy was sustained at prior year levels, room rates fell under pressure from the availability of new hotel capacity, which also caused turnover to decline by 3%.

Since year-end the Board of GSH has decided to sell its hotel assets as going concerns. Corporate finance and property consultants to the sale have since been appointed, and a communications process has been initiated with the employees of GSH who have served the company through very difficult circumstances.

But for the decision of the Board of the DAA to waive interest payments of €1.5 million on an inter-company loan, in the context of the GSH Board's decision to sell, the hotel group's losses would have worsened by the equivalent amount.

Finally, I would like to thank my fellow members of the Board of the DAA for their support and guidance during this exciting but challenging time for the company. In particular, I wish to thank our chairman, Gary McGann for his valued time and counsel at a time when he has many competing business challenges to address. I want to express my gratitude to the management team for its commitment and dedication and, perhaps most importantly, I wish to thank my colleagues and fellow employees of the company for their continued hard work and their willingness to embrace the changes necessary to achieve our business objectives and meet the requirements of our customers.

Declan Collier
Chief Executive
13 March 2006

Financial Review

Group Financial Highlights

	2005	2004 *As restated*	2003
Passengers			
Total (000)	24,483	21,788	20,439
Growth (%)	*12.4%*	*6.6%*	*5.8%*
Profitability (€m)			
Turnover	525	466	437
Growth (%)	*12.7%*	*6.6%*	*3.8%*
Group EBITDA[1]	111	90	73
Growth (%)	*23.5%*	*23.8%*	*4.0%*
Group profit before tax	64	41	21
Growth (%)	*56.7%*	*90.1%*	*(57.4)%*
Group profit for the financial year	50	31	20
Growth (%)	62.8%	52.0%	(44.1%)
Cash Flow (€m)			
Cash flow from operating activities	121	98	80
Cash flow for the year before financing	3	(6)	0
Balance Sheet (€m)			
Gross assets[2]	1,144	1,057	1,021
Shareholders' funds	478	424	403
Cash	93	85	79
Net borrowings	380	384	377
Capital Expenditure (€m)			
Capital expenditure	110	84	57
Key Ratios			
Group EBITDA: Net interest charge[3]	5.6x	4.1x	3.1x
Net borrowings: Group EBITDA	3.4x	4.3x	5.2x
Group EBITDA: Turnover	21%	19%	17%
Return on average equity[4]	11.1%	7.5%	5.0%

[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.

[2] Gross assets comprise fixed and current assets.

[3] Net interest charge comprises Group net interest, excluding associated and joint venture undertakings.

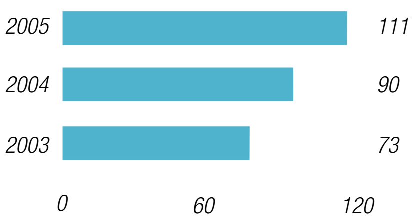
[4] Return on average equity is based on Group profit as a percentage of average shareholders' funds.

Financial Review *(continued)*

Profitability

Group EBITDA for the year increased by €21 million (+23%) to €111 million. Group profit before interest and exceptional items increased by €24 million (+35%) to €94 million. Group profit for the financial year was €50 million (+63%), compared with €31 million in 2004. Return on average equity increased to 11.1% from 7.5% in 2004.

Group EBITDA *(€ millions)*



Passenger volume and growth

Passenger numbers at the three airports of 24.5 million increased by 12.4%. Dublin Airport increased passenger throughput by just over one and a quarter million passengers (+7.7%) to 18.5 million. Shannon experienced significant growth of 38% to 3.3 million passengers in 2005. Cork also experienced significant growth and passenger numbers grew by 21% overall to 2.7 million.

Turnover

Group turnover was €525 million, an increase of €59 million or 13% on the previous year. Some €53 million of this came from commercial activities both at the three airports and other businesses while turnover from airport charges increased by just €6.2 million (4.7%).

Operating costs

Total Group operating costs (excluding cost of sales, depreciation and amortisation) increased by €19.5 million (7.5%) to €280 million. Group payroll costs increased by €15 million or 9.2%, inclusive of a 4.8% increase in average staff numbers (expressed as full-time equivalents).

Staff number increases were mainly attributable to airport security staff and international retailing.

Operating costs per passenger at the three airports reduced by 3.3%, equivalent to 5.7% in real terms.

Depreciation and amortisation

Depreciation and amortisation increased by €3.1 million to €46.9 million.

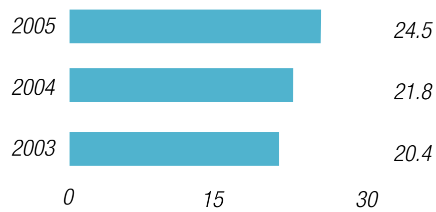
Associates & joint ventures

The Group's total share of operating profits (before interest and taxation) from associates and joint ventures increased by €6.3 million to €30.0 million. Overseas ventures grew strongly with improved contribution from airport investments.

Interest

Group net interest charge (excluding associates/joint ventures) decreased by €2.1 million (10%) to €19.7 million primarily due to a higher level of interest capitalised. The Group's share of net interest cost of associates and joint ventures increased by €1.2 million to €11.2 million.

Total Passenger Numbers *(millions)*



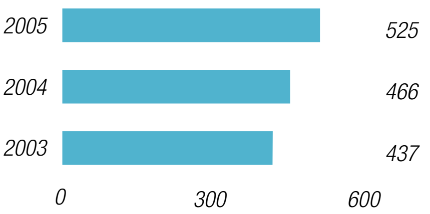
Taxation

Taxation charge increased by €3.7 million to €14.2 million primarily reflecting an increase in taxable profits. Taking into account the different corporation tax rates applicable

Financial Review *(continued)*

across the Group and associates, both domestically and internationally, the effective tax rate in 2005 was 22% (2004: 26%).

Group Turnover *(€ millions)*



Cash flow & Funding

Net cash inflow from operating activities was €121 million (2004: €98 million). Group net debt decreased to €380 million, down €4 million on 2004 levels. Cash was €93 million at year-end (2004: €85 million).

Group interest cover was 5.6 times (2004: 4.1 times) based on Group EBITDA divided by the Group net interest charge. Net debt reduced to 3.4 times Group EBITDA (2004: 4.3 times).

Balance Sheet

Gearing (measured by expressing net debt as a percentage of the aggregate of net debt and ordinary shareholders' funds) was 44% at the year-end (2004: 48%). Shareholders' funds increased to €478 million (2004: €424 million).

Gross assets were €1.14 billion (2004: €1.06 billion). Fixed and financial assets were €0.986 billion (2004: €0.916 billion). Year end debtors and stock levels increased by €4.7 million and €5.4 million respectively in line with increased turnover and activity.

Company accumulated profit and loss account, the basis for determining company distributable reserves, increased by €47 million to €142 million at 31 December 2005.

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**

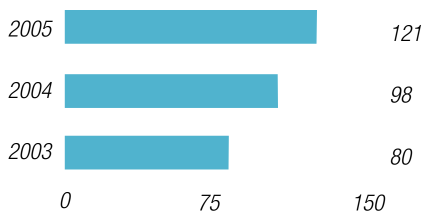
  The Group's policy is to ensure continuity of funding with a substantial portion of borrowings maturing in more than five years.

  Some 81% of the Group's borrowings at the end of 2005 were due to mature in more than five years. Un-drawn committed facilities were €119 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 long-term loans from the European Investment Bank.

Cashflow from Operating Activities *(€ millions)*



At the end of 2005, 93% of the Group's borrowings were at fixed rates at an average rate of 5.6%.

Financial Review *(continued)*

Foreign exchange risk management

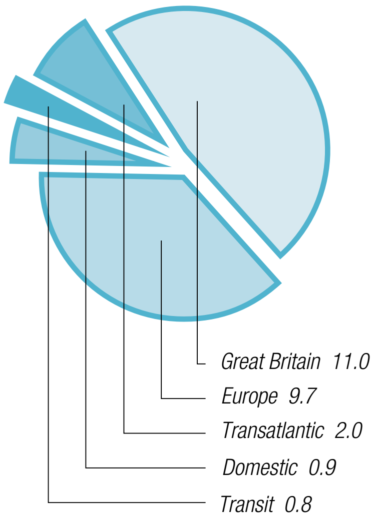
The Group's Irish businesses are predominately euro denominated. The Group has a number of overseas subsidiary and associated undertakings from which dividends and management charges are denominated in foreign currencies. Where they do arise, the Group's policy is to minimise currency transaction risk, by seeking to hedge foreign exchange transaction exposures that might impact on reported profit.

Currency exposures are disclosed in Note 27. The Group does not carry foreign currency exposures other than in the normal course of business.

Credit risk

The Group's credit risk consists principally of cash deposits, short-term investments and trade debtors. Cash surpluses are 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.

Passenger Numbers by Sector 2005
(millions)



Directors' Report & Financial Statements

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 2005.

Principal Activities

The Group's principal activities are airport development, operation and management, 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 2005, including information on recent events, likely future developments and the principal risks and uncertainties facing the business, required in accordance with Statutory Instrument 116 of 2005: European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005, are contained in the Chairman's statement, the Chief Executive's review and Financial review.

State Airports Act 2004 and Separation of Cork and Shannon Airports

The State Airports Act 2004 ("the 2004 Act") provides the necessary legislative basis for the restructuring of the Company, whereby Cork and Shannon airports are to be established as fully independent and autonomous authorities under separate state ownership. Pursuant to the 2004 Act, the State established two wholly owned entities, Cork Airport Authority plc and Shannon Airport Authority plc, for this purpose.

On dates yet to be determined (Appointed Days - transfer of assets dates), each of Cork and Shannon Airport Authority will have the relevant airport assets vested in them and they will assume full responsibility for the management, operation and development of their respective airports. The Minister for Transport, with the consent of the Minister for Finance, may set by order the Appointed Days in respect of each of Cork and Shannon Airport Authority.

Before the making of an Appointed Day Order for Cork and Shannon, i.e. the day on which assets transfer, the two Ministers shall be satisfied as to the state of operational and financial readiness, including business planning of each airport and of Dublin Airport Authority plc. The transition period prior to the relevant Appointed Days also facilitates the capital maintenance requirements of the Companies (Amendment) Act 1983, which require that sufficient reserves must be available to the Company before the relevant airport assets can be distributed and vested in the Cork and Shannon Airport Authorities.

Report of the directors *(continued)*

As set out below the financial results of the Group for the year show a profit for the financial year amounting to €50.1 million compared with €30.8 million (restated) for 2004.

	2005 € million	2004 € million *As restated*
Group operating profit	**64.1**	46.1
Share of operating profit of associates and joint venture	**30.0**	23.6
Group profit before interest and exceptional items	**94.1**	69.7
Group exceptional items	**-**	2.4
Group profit before interest	**94.1**	72.1
Interest (net)[1] – Group, associates and joint venture	**(30.2)**	(31.3)
Group profit before taxation	**63.9**	40.8
Tax – Group, associates and joint venture	**(14.2)**	(10.5)
Group profit after taxation	**49.7**	30.3
Minority interest	**0.4**	0.5
Group profit for the financial year	**50.1**	30.8

[1] Includes income from other financial assets

No dividends have been paid or proposed in respect of 2005.

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

Corporate Governance

The directors are committed to maintaining high standards of corporate governance. Set out below are details of how the relevant principles of good governance contained in the revised Combined Code on Corporate Governance (the "2003 Combined Code") are applied in Dublin Airport Authority plc. The directors believe that the application of these principles assist the Group to comply with the ethical and other considerations implicit in the Code of Practice for the Governance of State Bodies published by the Department of Finance.

The following paragraphs deal with the Group's compliance with the 2003 Combined Code.

Report of the directors *(continued)*

The Board and Committees

The Group is headed by a Board, which comprises nine non-executive directors, four employee representative directors and one executive director (the Chief Executive). The role of the Chairman is separate from that of the Chief Executive. The Minister for Transport, with the consent of the Minister for Finance, appoints the Chairman and the non-executive directors to the Board. 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. 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 Board considers that all non-executive directors, which for this purpose comprise directors other than the Chief Executive and employee representative directors, are independent and has specific procedures to deal with potential conflicts of interest that may arise. The Board considers that all non-executive directors are independent in character and judgement, notwithstanding that they have been appointed to the Board with the consent of the Minister for Finance, the principal shareholder. In line with the 2003 Combined Code, it is Board policy that the Chairman hold meetings with the non-executive directors without other directors being present, at least once a year.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution of non-executive directors and constructive relations between the executive director and non-executive directors, ensures that directors receive accurate, timely and clear information, and manages effective communication with shareholders.

On 24 March 2005, Mr. Arthur Hall, Mr. Michael Landers and Ms. Linda Tanham, who had been appointed to the Board in 2004, pending elections under the Worker Participation (State Enterprises) Acts 1977 and 1988, retired from office.

Following a nomination and election process under the Worker Participation (State Enterprises) Acts 1977 and 1988, Mr. Pat Fitzgerald, Ms. Marion Keating, Mr. Brian Lynch and Mr. Barry Nevin were appointed to the Board by the Minister for Transport with the consent of the Minister for Finance, with effect from 24 March 2005.

With effect from 4 April 2005, Mr. Declan Collier was appointed Chief Executive and became an ex-officio member of the Board and Mr. Oliver Cussen, who had been appointed as Acting Chief Executive in 2004, ceased to hold office as an ex officio director of the Board but remains Company Secretary.

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 management sufficient flexibility to run the business efficiently and effectively within a centralised reporting framework.

Report of the directors *(continued)*

The total number of meetings held by the Board during the year was twelve and were attended as follows:

Director	Attendance	Director	Attendance
Mr. Gary McGann	12/12	Sir Michael Hodgkinson	9/12
Mr. Oliver Cussen	3/3	Ms. Marion Keating	9/9
Mr. Declan Collier	9/9	Mr. Michael Landers	2/3
Mr. Colm Barrington	12/12	Mr. Brian Lynch	9/9
Mr. Bill Cullen	10/12	Mr. Barry Nevin	9/9
Mr. Des Cummins	12/12	Ms. Marie O'Connor	10/12
Ms. Mary Davis	11/12	Mr. Anthony Spollen	11/12
Mr. Pat Fitzgerald	9/9	Ms. Linda Tanham	2/3
Mr. Arthur Hall	2/3		

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 and remuneration. The Group has a comprehensive process for reporting management information to the Board. The Board is provided with monthly information, which includes key performance indicators for all aspects of the business. Regular reports and papers are circulated to the directors in a timely manner in preparation for Board and Committee meetings. These papers are supplemented by information specifically requested by the directors from time to time.

The non-executive directors receive monthly management accounts and regular management reports and information which enables them to scrutinise the Group's and management's performance against agreed objectives.

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

On appointment, all directors are provided with briefing documents on the Group and its operations as well as relevant training.

Ms. Marie O'Connor is the Senior Independent Non-Executive Director.

Performance Evaluation

The Board is reviewing processes for formally evaluating Board and Committee performance in line with the requirements of the 2003 Combined Code.

Report of the directors *(continued)*

Board Committees

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

Details in relation to both the Audit and the Remuneration and Appointments Committees, including their current Board membership, are set out below. Details in respect of the availability of these committees' terms of reference are set out on the Company's website.

Audit Committee

Mr. Anthony Spollen (Chairman), Mr. Des Cummins and Ms. Mary Davis. 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. The committee is responsible to the Board for the review of internal controls, the review of draft financial statements 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 Board maintains an objective and professional relationship with the Group's auditors. Where the external auditor provides non-audit services, review procedures are in place to safeguard auditor objectivity and independence. The Chairman of the Audit Committee reports to the Board on all significant issues considered by the committee.

The Company has established procedures to ensure that appropriate arrangements are in place for employees to raise, in confidence, matters of possible impropriety, with suitable subsequent follow-up action.

Remuneration and Appointments Committee

Mr. Gary McGann (Chairman), Mr. Colm Barrington and Ms. Marie O'Connor. This committee advises the Board on new Board and senior management appointments and determines and approves remuneration and bonus arrangements for the Chief Executive and other senior management.

There were six meetings of the Company's Audit Committee and two meetings of the Remuneration and Appointments Committee in the year. Details of attendance by individual directors at these meetings (taking account of their appointment or retirement dates, as appropriate) are as follows:

Audit Committee		**Remuneration and Appointments Committee**	
Director	**Attendance**	**Director**	**Attendance**
Mr. Anthony Spollen	6/6	Mr. Gary McGann	2/2
Mr. Des Cummins	5/6	Mr. Colm Barrington	2/2
Ms. Mary Davis	6/6	Ms. Marie O'Connor	2/2

In addition to the Audit and Remuneration and Appointments Committees, the Board has a number of other committees to assist in the discharge of its responsibilities. These include the Airport Development Committee, the Customer Standards Committee and the Health, Safety & Aviation Security Committee.

Report of the directors *(continued)*

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.

There was no significant contract between any of the directors and Dublin Airport Authority plc (or any of its subsidiary, associated or joint venture undertakings) during the year other than as outlined below. The Board is satisfied that its non-executive directors are free from any business or other relationship that could materially affect, or could appear to affect, the exercise of their independent judgement.

Sir Michael Hodgkinson is a member of the Court of Bank of Ireland and a director of First Choice Holidays plc. Mr. Gary McGann is a director of Aon MacDonagh Boland Group Limited and Ms. Marie O'Connor is a partner in PricewaterhouseCoopers. These organisations and their affiliates have, during the period, undertaken transactions in the normal course of business and on an arm's length basis with the Group. Sir Michael Hodgkinson and Mr. Gary McGann have no material interest in Bank of Ireland, First Choice Holidays plc or Aon MacDonagh Boland Group Limited respectively. Group fees in respect of services provided by PricewaterhouseCoopers during the period amounted to €7,950.

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 and Appointments 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.

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 2005.

Accountability and Audit

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

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

Report of the directors *(continued)*

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 by senior Group executives;
- 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, 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;
- an active Board sub-committee structure;
- Aviation Security, Safety and Standards management functions which monitor and report on aviation safety and security standards and operational procedures at the airports;
- a Health, Safety and Aviation Security Committee of the Board that monitors and reviews matters in relation to aviation safety and security, and health and safety 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. Investment in 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 provided for in the State Airports Act, 2004.

The Board has established procedures to ensure that Board members have an understanding of the views of the shareholder.

Report of the directors *(continued)*

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. Under the State Airports Act 2004 the employee representative directors were appointed to the Board pending a nomination and election process under the Worker Participation (State Enterprises) Acts 1977 and 1988 which were held in 2005. The employee directors elected under this process were appointed for a term of up to four years effective from 24 March 2005. 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 2005 and the Department of Finance. However, these disclosures do not extend to those contained in the 2003 Combined Code.
- The Board is reviewing processes for formally evaluating Board and Committee performance in line with the requirements of the 2003 Combined Code.

Companies (Auditing and Accounting) Act, 2003

The directors note the intention of the Minister for Enterprise, Trade and Employment to introduce amending legislation to the Companies (Auditing and Accounting) Act, 2003, in respect of the sections of that Act that deal with Directors' Compliance Statements. These sections of the Act have not yet become effective and will not now do so until the amending legislation is in force.

The date from which the amending legislation and the provisions of the Act are expected to apply has not yet been determined. It is the intention of the directors to ensure they are in compliance with all relevant provisions of the Act, when it becomes effective.

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 2005 imposes certain requirements on employers and all relevant companies within the Group are taking the necessary action to ensure compliance with the Act.

Subsidiary, Associated and Joint Venture Undertakings

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

Report of the directors *(continued)*

Prompt Payments Act

Dublin Airport Authority plc's policy is to comply with the provisions of the European Communities (Late Payments in Commercial Transactions) Regulations 2002 and the Prompt Payment of Accounts Act 1997. The Group's standard terms of credit taken, unless otherwise specified in specific contractual arrangements, are 30 days. Appropriate internal financial controls are in place, including clearly defined roles and responsibilities and the regular review of payment practices. These procedures provide reasonable but not absolute assurance against material non-compliance with the regulations. As in previous years, substantially all payments 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 is not required under European Union or other requirements to adopt IFRS for its future consolidated financial statements. The Group will have the option, should it choose, to adopt IFRS voluntarily in its financial statements in future. The Group is engaged in a process of identifying the necessary changes which might impact on its consolidated financial statements if it were to choose to voluntarily adopt IFRS in future periods.

The Group's subsidiary, DAA Finance plc, (formerly Aer Rianta Finance plc) will, due to its listed loan notes, be required to adopt IFRS in its own consolidated financial statements with effect from its accounting period beginning on 1 March 2007.

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
Gary McGann *Chairman*
Anthony Spollen *Director*
13 March 2006

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

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

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

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

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

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2005. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts 1963 to 2005.

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

On behalf of the Board
Gary McGann *Chairman*
Anthony Spollen *Director*
13 March 2006

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

We have audited the group and parent company financial statements (the "financial statements") of Dublin Airport Authority plc for the year ended 31 December 2005 on pages 32 to 71. These financial statements have been prepared under the accounting policies set out therein.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's 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' responsibilities for preparing the annual report and the group financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 29.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2005. We also report to you whether, in our opinion: proper books of account have been kept by the company; at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the company balance sheet is in agreement with the books of account.

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

We review, at the request of the directors, whether the voluntary statement on page 27 reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

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

Independent auditor's report to the members of Dublin Airport Authority plc *(continued)*

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the group's and parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2005.

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

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

The net assets of the company, as stated in the company balance sheet 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 2005 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 Auditor
Dublin

13 March 2006

Statement of accounting policies

for the year ended 31 December 2005

The financial statements have been prepared in accordance with the following accounting policies which have been applied consistently with last year except that, as explained in Note 7:

i. the Company has adopted the recognition and measurement requirements of FRS 17 "Retirement Benefits" in accounting for retirement benefit obligations instead of SSAP 24 "Pension Costs". Previously the transitional disclosure provisions of FRS 17 had been followed.
ii. dividends proposed and receivable are now accounted for in accordance with FRS 21 "Events After the Balance Sheet Date".

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.

The State Airports Act, 2004 provides the necessary legislative basis for the restructuring of the Company, in particular, the establishment of Cork and Shannon airports as fully independent and autonomous authorities under separate State ownership as and from their respective Appointed Days. Prior to the making of an Appointed Day Order for either Cork or Shannon Airport, the Ministers for Transport and Finance must be satisfied as to the financial and operational readiness of each airport and of Dublin Airport Authority plc. Pending this, all assets and liabilities remain with the Group. Ultimate responsibility for the management, operation and development of Dublin, Cork and Shannon airports remains with the Company and these financial statements continue to be prepared on this basis. It is not possible for the directors to determine at this juncture the impact of the completion of the proposed restructuring on the financial position of the Group and no account of any proposed new arrangements has been taken in these financial statements.

Basis of Consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings (subsidiaries) made up to 31 December 2005.

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.

Statement of accounting policies *(continued)*

for the year ended 31 December 2005

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 and reflected in the statement of total recognised gains and losses.

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 and assets in the course of construction on a straight-line basis over the estimated useful lives as follows:

Terminal complexes	10 - 50 years
Airfields	10 - 50 years
Plant and equipment	2 - 20 years
Other property (excluding 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, Cork and Shannon Airports combined are considered to form one income-generating unit. Where the recoverable amount is less than the carrying amount of the assets the Group recognises an impairment loss in the financial statements.

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

Statement of accounting policies *(continued)*

for the year ended 31 December 2005

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.

Goodwill arising prior to the introduction of Financial Reporting Standard 10 (FRS 10) "Goodwill and Intangible Assets" in 1998 continues to be eliminated against reserves and will be recycled to the profit and loss account on the sale of the related business.

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.

Statement of accounting policies *(continued)*

for the year ended 31 December 2005

Pension and Other Post-Retirement Obligations

The Group operates contributory pension schemes, covering the majority of its employees. The schemes are administered by Trustees and are independent of the Group.

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

For the schemes accounted for as defined benefit schemes:

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

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 2005

	Note	2005 €000	2004 €000 *As restated*
Turnover: Group and share of joint venture		525,550	466,264
Less: share of joint venture turnover		(568)	(576)
Group turnover - continuing operations	*1*	524,982	465,688
Operating costs			
Cost of goods for resale		(133,805)	(115,064)
Payroll and related costs	*2*	(174,756)	(160,101)
Materials and services		(105,429)	(100,630)
Depreciation and amortisation		(46,922)	(43,803)
		(460,912)	(419,598)
Group operating profit - continuing operations		64,070	46,090
Share of operating profits			
Joint venture undertaking		481	480
Associated undertakings	*3*	29,519	23,173
Group profit before interest and exceptional items		94,070	69,743
Exceptional item – continuing operations			
Profit on disposal of fixed assets	*4*	-	2,381
Group profit before interest		94,070	72,124
Income from other financial assets		739	502
Interest receivable			
Group		1,568	2,017
Joint venture undertaking		8	15
Associated undertakings		1,345	1,652
Interest payable and similar charges			
Group	*5*	(21,223)	(23,818)
Joint venture undertaking	*5*	(655)	(642)
Associated undertakings	*5*	(11,902)	(11,040)
Group profit on ordinary activities before taxation	*6*	63,950	40,810
Tax on profit on ordinary activities	*8*	(14,213)	(10,555)
Group profit on ordinary activities after taxation		49,737	30,255
Minority interest	*30*	349	515
Group profit for the financial year	*9 & 22*	50,086	30,770

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

On behalf of the Board
Gary McGann *Chairman*
Anthony Spollen *Director*
13 March 2006

Statement of total recognised gains and losses

for the year ended 31 December 2005

	Note	2005 €000	2004 €000 *As restated*
Group profit for the financial year		50,086	30,770
Exchange differences on translation of overseas investments (arising on net assets)			
Subsidiary undertakings		2,221	(472)
Associated undertakings		3,524	(806)
Actuarial (loss)/gain recognised in the pension schemes			
Group	*21*	(1,217)	760
Associated undertakings		(1,350)	(804)
Deferred tax credit/(charge) thereon			
Group		152	(95)
Associated undertakings		404	241
Total recognised gains and losses for the year		53,820	29,594
Prior year adjustment	*7*	(8,844)	
Total gains and losses recognised since last annual report		44,976	

Reconciliation of movement in shareholders' funds

for the year ended 31 December 2005

	Note	2005 €000	2004 €000 *As restated*
At 1 January			
As previously reported		432,736	402,866
Prior year adjustment - change in pensions accounting policy	*7*	(8,844)	(8,568)
Prior year adjustment - change in dividends accounting policy	*7*	-	6,074
As restated		423,892	400,372
Total recognised gains and losses for the year		53,820	29,594
Dividends paid		-	(6,074)
At 31 December		477,712	423,892

Group balance sheet

at 31 December 2005

	Note	2005 €000	2005 €000	2004 €000	2004 €000 As restated
Fixed assets					
Tangible assets	*10*		809,082		745,415
Intangible assets	*11*		5,476		5,422
			814,558		750,837
Financial assets					
Investments in joint venture undertaking					
Share of gross assets		20,064		20,148	
Share of gross liabilities		(21,399)		(21,317)	
Loans to joint venture undertaking		4,882		4,882	
Total investment in joint venture undertaking			3,547		3,713
Investment in associated undertakings			140,934		134,828
Other financial assets			27,063		27,063
Total financial assets	*12*		171,544		165,604
Total fixed assets			986,102		916,441
Current assets					
Stocks	*13*	24,094		18,687	
Debtors	*14*	40,839		36,127	
Cash at bank and in hand	*26*	92,708		85,330	
		157,641		140,144	
Creditors: falling due within one year	*15*	(176,061)		(138,112)	
Net current (liabilities)/assets			(18,420)		2,032
Total assets less current liabilities			967,682		918,473
Creditors: falling due after more than one year	*16*		(457,354)		(460,536)
Capital grants	*18*		(24,558)		(26,257)
Provisions for liabilities and charges	*19*		(5,129)		(5,735)
Net assets excluding net pension liability			480,641		425,945
Net pension liability	*21*		(4,116)		(2,759)
Net assets			476,525		423,186
Capital and reserves					
Called up share capital	*20*		186,337		186,337
Profit and loss account	*22*		286,131		238,056
Other reserves	*22*		5,244		(501)
Shareholders' funds			477,712		423,892
Minority interest	*30*		(1,187)		(706)
			476,525		423,186

On behalf of the Board
Gary McGann *Chairman*
Anthony Spollen *Director*
13 March 2006

Company balance sheet

at 31 December 2005

	Note	2005 €000	2004 €000 *As restated*
Fixed assets			
Tangible assets	*10*	**692,096**	626,391
Financial assets	*12*	**133,487**	133,950
		825,583	760,341
Current assets			
Stocks	*13*	**11,705**	9,241
Debtors	*14*	**66,229**	66,785
Cash at bank and in hand		**81,008**	70,712
		158,942	146,738
Creditors: falling due within one year	*15*	**(169,084)**	(140,608)
Net current (liabilities)/assets		**(10,142)**	6,130
Total assets less current liabilities		**815,441**	766,471
Creditors: falling due after more than one year	*16*	**(457,661)**	(454,399)
Capital grants	*18*	**(24,480)**	(26,179)
Provisions for liabilities and charges	*19*	**(3,043)**	(3,094)
Net assets excluding pensions liability		**330,257**	282,799
Net pension liability	*21*	**(2,033)**	(1,278)
Net assets		**328,224**	281,521
Capital and reserves			
Called up share capital	*20*	**186,337**	186,337
Profit and loss account	*22*	**141,887**	95,184
Shareholders' funds		**328,224**	281,521

On behalf of the Board
Gary McGann *Chairman*
Anthony Spollen *Director*
13 March 2006

Group cash flow statement

for the year ended 31 December 2005

	Note	2005 €000	2004 €000
Cash inflow from operating activities	*23*	**121,044**	98,296
Payments in respect of restructuring programme		-	(3,498)
Dividends received from associated undertakings	*12*	8,449	7,995
Returns on investments and servicing of finance	*24*	(22,693)	(22,951)
Taxation paid		(4,437)	(723)
		102,363	79,119
Capital expenditure and financial investment	*24*	(97,970)	(81,352)
Acquisitions and disposals	*24*	(918)	2,102
Dividends paid		-	(6,074)
Cash inflow/(outflow) before management of liquid resources and financing		3,475	(6,205)
Management of liquid resources			
Net cash transferred to liquid resources	*26*	(22,706)	(1,724)
Financing	*24*	2,742	12,670
(Decrease)/increase in cash in year	*26*	(16,489)	4,741

Notes on and forming part of the financial statements

for the year ended 31 December 2005

1 Turnover - continuing operations

	Group	
	2005 €000	2004 €000
Activity		
Aeronautical revenue	137,203	130,989
Commercial activities	344,195	289,750
Hotels	43,584	44,949
Total turnover	524,982	465,688
Geographical		
Irish airports	408,666	365,910
Irish hotel activities	43,584	44,949
Overseas	72,732	54,829
Total turnover	524,982	465,688

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	
	2005 €000	2004 €000 *As restated*
Wages and salaries	145,993	133,638
Social welfare costs	13,871	12,692
Pension costs (Note 21)	6,434	5,926
Other staff costs	9,492	8,594
	175,790	160,850
Staff costs capitalised into fixed assets	(1,034)	(749)
Net staff costs	174,756	160,101

	2005	2004
Average employee figures (full time equivalents) for the Group were as follows:		
Airports	2,499	2,382
Hotels	652	675
International activities	469	396
	3,620	3,453

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 2005

4 Exceptional item - profit on disposal of fixed assets

	2005 €000	2004 €000
Consideration for grant of easements to associated undertaking (before tax of €0.762 million)	-	3,809
Income deferred pending realisation by associated/joint venture undertaking (before tax of €0.284 million)	-	(1,428)
	-	2,381

Income deferred of €1.144 million (after tax of €0.284 million) in 2004 relates to the Group's share of an asset owned by an associate undertaking and will be recognised in the Group financial statements once this profit is realised by that entity.

5 Interest payable

	Group	
	2005 €000	2004 €000 *As restated*
Group:		
Interest payable on loans wholly repayable by instalments within five years	2,498	2,281
Interest payable on loans wholly repayable by instalments after five years	7,103	7,666
Interest on loan notes	15,375	15,375
Amortisation of issue costs	137	130
Other interest payable	2	120
Finance lease	-	2
Other finance costs	-	50
	25,115	25,624
Interest capitalised	(3,892)	(1,806)
Total interest payable - Group	21,223	23,818
Joint venture undertaking:		
Interest on loans repayable by instalments within five years	655	642
Associated undertakings:		
Interest payable on loans repayable by instalments within five years	1,954	3,238
Interest payable on loans repayable by instalments after five years	9,908	7,631
Finance lease interest	7	11
Other finance costs	299	276
Interest capitalised	(266)	(116)
Total interest payable – associated undertakings	11,902	11,040

Notes *(continued)*

for the year ended 31 December 2005

6 Statutory and other information

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

	2005 €000	2004 €000
Auditors' remuneration (including expenses):		
- for audit services	391	376
- for other services	398	278
	789	654
Operating lease rentals		
- equipment	852	1,210
- buildings	7,631	7,303
Depreciation	44,307	43,270
Loss on disposals, impairment and write-offs of tangible fixed assets	3,269	1,070
Amortisation of capital grants	(1,699)	(1,429)
Amortisation of intangible assets and goodwill:		
- Group (Note 11)	847	793
- share of associated undertakings (Note 12)	98	98
	945	891
Directors' remuneration:		
- fees	159	139
- other emoluments (including pension contribution)	396	452
- compensation or other payments on retirement or loss of office	-	1,412
	555	2,003

Disclosure of the remuneration, in accordance with the applicable government department guidelines relating to the remuneration arrangements for chief executives of commercial state bodies, is also provided. The annual basic salary of the Chief Executive as at 31 December 2005 was €310,425. The Chief Executive was appointed with effect from 4 April 2005; to date no payments have been made to him under performance related pay schemes. His total remuneration (including director's fee, salary, pension contributions and other taxable benefits) in 2005 reflected in the amounts shown above as directors' remuneration was €331,000.

In 2004, prior to the appointment of a new Board of Directors on 1 October 2004, certain compensation or other payments on retirement or for loss of office arose. This comprised payments to John Burke of €360,000, to Margaret Sweeney of €845,930, to Noel Hanlon of €45,000, to Cecil Brett of €19,500, to Peter Dunne of €85,615 and, in respect of their fees for the un-expired period of their term of appointment (which ended prematurely on 1 October 2004 by virtue of an Order for the Dublin Appointed Day pursuant to the State Airports Act 2004), to three other directors of €56,538.

Notes *(continued)*

for the year ended 31 December 2005

7 Prior year adjustment – change in accounting policy

The Group adopted Financial Reporting Standard 17 (FRS 17) *"Retirement Benefits"* in its financial statements from 1 January 2005. The financial information for the year ended 31 December 2004 which was prepared under SSAP 24 *"Pension Costs"* has been restated following the adoption of FRS 17. The impact of the change in the accounting policy was to record on the balance sheet the Group's deficits in those pension schemes accounted for as defined benefit, and reflect its share of the deficit in the defined benefit scheme of an associate, measured in accordance with FRS 17.

In addition the Group also adopted Financial Reporting Standard 21 (FRS 21) *"Events after the Balance Sheet Date"* from 1 January 2005. The impact of this accounting standard is to only accrue for dividends in the accounting period when they are approved by the shareholders. The impact on the Group's financial statements was to increase opening reserves in 2004 by €6.074 million and reduce shareholders' funds during 2004 by the same amount when the dividend was paid.

	As previously reported €000	Prior year adjustment FRS 21 Dividend €000	Prior year adjustment FRS 17 Pension €000	As restated €000
Group profit and loss account				
Group turnover	465,688	-	-	465,688
Operating costs	(419,438)	-	(160)	(419,598)
Operating profit	46,250	-	(160)	46,090
Share of profits of associates and joint venture undertakings	23,657	-	(4)	23,653
Exceptional item	2,381	-	-	2,381
Income from financial assets and net interest payable	(30,988)	-	(326)	(31,314)
Profit before tax	41,300	-	(490)	40,810
Tax	(10,667)	-	112	(10,555)
Minority interest	515	-	-	515
Group profit for the financial year	**31,148**	-	(378)	30,770
Group statement of total recognised gains and losses				
Group profit for the financial year	31,148	-	(378)	30,770
Exchange differences on translation of overseas investments	(1,278)	-	-	(1,278)
Share of actuarial losses in pension schemes	-	-	(44)	(44)
Share of deferred tax credit thereon	-	-	146	146
Total recognised gains and losses for the year	**29,870**	-	(276)	29,594

Notes *(continued)*

for the year ended 31 December 2005

7 Prior year adjustment – change in accounting policy *(continued)*

	As previously reported	Prior year adjustment FRS 21 Dividend	FRS 17 Pension	As restated
	€000	€000	€000	€000
Group balance sheet				
Fixed assets	750,837	-	-	750,837
Financial assets (Note 12)	171,689	-	(6,085)	165,604
Current assets	140,144	-	-	140,144
Current liabilities	(138,112)	-	-	(138,112)
Other liabilities	(492,528)	-	-	(492,528)
Net pensions liability (Note 21)	-	-	(2,759)	(2,759)
Net assets	**432,030**	**-**	**(8,844)**	**423,186**
Share capital	186,337	-	-	186,337
Profit and loss account	246,900	-	(8,844)	238,056
Other reserves	(501)	-	-	(501)
Minority interest	(706)	-	-	(706)
	432,030	**-**	**(8,844)**	**423,186**
Company balance sheet				
Fixed assets	626,391	-	-	626,391
Financial assets	133,950	-	-	133,950
Current assets	146,738	-	-	146,738
Current liabilities	(130,608)	(10,000)[1]	-	(140,608)
Other liabilities	(483,672)	-	-	(483,672)
Net pensions liability	-	-	(1,278)	(1,278)
Net assets	**292,799**	**(10,000)**	**(1,278)**	**281,521**
Share capital	186,337	-	-	186,337
Profit and loss account	106,462	(10,000)	(1,278)	95,184
	292,799	**(10,000)**	**(1,278)**	**281,521**

(1) The impact of FRS 21 on the Company balance sheet as at 31 December 2004 was to decrease reserves by €10 million in respect of a proposed intra-Group dividend which has been treated as income in the Company in 2005 when the dividend was received.

Notes *(continued)*

for the year ended 31 December 2005

8 **Tax on profit on ordinary activities**	**2005**	2004
	€000	€000
Current tax:		*As restated*
Corporation tax – Ireland	**2,944**	1,329
Overseas tax of subsidiary undertakings	**1,555**	854
Capital gains tax – Ireland	**6**	478
Under/(over) provision in respect of prior periods	**582**	(398)
Tax attributable to Group	**5,087**	2,263
Share of overseas tax of associated undertakings	**7,576**	6,014
Share of Irish tax of associated undertakings	**109**	74
Overprovision in respect of prior periods – associated undertakings	**-**	(15)
Overprovision in respect of prior periods – joint venture undertaking	**-**	(12)
Tax attributable to joint venture and associated undertakings	**7,685**	6,061
Current tax charge	**12,772**	8,324
Deferred tax:		
Origination of timing differences		
Attributable to Group (Note 19)	**1,475**	1,314
Underprovision in respect of prior periods	**-**	1,029
Timing differences relating to FRS 17 pensions liabilities	**(34)**	(112)
Deferred tax charge	**1,441**	2,231
Tax on profit on ordinary activities	**14,213**	10,555

The Group's Irish operations are subject to differing rates of corporation taxation, according to, inter alia, the nature of activities. During 2005 and 2004 these rates varied from 10% to 25% while the standard rate of corporation taxation was 12.5%.

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. The total liability unprovided for at 31 December 2005, assuming that no indexation relief is available, is €3.2 million (2004: €3.2 million).

Notes *(continued)*

for the year ended 31 December 2005

8 Tax on profit on ordinary activities *(continued)*

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

	2005 €000	2004 €000 *As restated*
Profit on ordinary activities before taxation	**63,950**	40,810
Profit on ordinary activities at standard corporation tax rate in Republic of Ireland of 12.5% (2004: 12.5%)	**7,994**	5,101
Effects of:		
Capital allowances for period in excess of depreciation	**(1,735)**	(1,744)
Expenses deductible for tax purposes (timing differences)	**(386)**	(313)
Expenses not deductible for tax purposes (permanent differences)	**602**	517
Profits of foreign undertakings taxable at higher rates	**6,112**	4,730
Irish profits taxable at higher rates	**99**	38
(Losses utilised)/unutilised losses carried forward	**(147)**	163
Under/(over) provision in respect of prior periods	**582**	(425)
Other	**(349)**	257
Current tax charge for the year	**12,772**	8,324

9 Profit for the financial year

A separate Company profit and loss account is not presented as provided for under the Companies Act 1963, Section 148(8). A profit for the financial year of €47.2 million (2004: profit €26.4 million as restated) has been dealt with in the financial statements of the Company.

Notes *(continued)*

for the year ended 31 December 2005

10 Tangible fixed assets

Group	Terminal complexes	Lands & airfields	Plant & equipment	Hotel buildings	Other property	Assets in the course of construction	Total
	€000	€000	€000	€000	€000	€000	€000
Cost or valuation							
At 1 January 2005							
Cost	286,055	182,366	235,322	63,044	152,151	116,021	1,034,959
Valuation	-	-	-	38,980	-	-	38,980
Total	286,055	182,366	235,322	102,024	152,151	116,021	1,073,939
Additions	-	15	6,941	104	-	103,384	110,444
Transfer to completed assets	6,895	8,328	12,053	-	15,407	(42,683)	-
Disposals	-	-	(1,354)	-	-	-	(1,354)
Write-offs	(227)	(278)	(5,573)	-	(2,889)	(520)	(9,487)
Translation reserve	-	-	1,459	-	-	-	1,459
At 31 December 2005							
Cost	292,723	190,431	248,848	63,148	164,669	176,202	1,136,021
Valuation	-	-	-	38,980	-	-	38,980
At 31 December 2005	**292,723**	**190,431**	**248,848**	**102,128**	**164,669**	**176,202**	**1,175,001**
Depreciation							
At 1 January 2005	70,747	54,914	136,124	4,985	61,754	-	328,524
Charge for the year	10,541	5,726	19,787	2,479	5,774	-	44,307
Impairment	-	-	1,700	-	-	-	1,700
Disposals	-	-	(1,288)	-	-	-	(1,288)
Write-offs	(208)	(166)	(4,990)	-	(2,566)	-	(7,930)
Translation reserve	-	-	606	-	-	-	606
At 31 December 2005	**81,080**	**60,474**	**151,939**	**7,464**	**64,962**	**-**	**365,919**
Net book value							
2005	**211,643**	**129,957**	**96,909**	**94,664**	**99,707**	**176,202**	**809,082**
2004	215,308	127,452	99,198	97,039	90,397	116,021	745,415

Notes *(continued)*

for the year ended 31 December 2005

10 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 2005	286,055	175,480	193,807	146,125	115,987	917,454
Additions	-	15	2,063	-	103,299	105,377
Transfer to completed assets	6,895	8,328	12,053	15,407	(42,683)	-
Disposals	-	-	(227)	-	-	(227)
Write-offs	(227)	(278)	(5,573)	(2,889)	(520)	(9,487)
At 31 December 2005	**292,723**	**183,545**	**202,123**	**158,643**	**176,083**	**1,013,117**
Depreciation						
At 1 January 2005	70,747	54,913	107,570	57,833	-	291,063
Charge for the year	10,541	5,726	16,069	5,723	-	38,059
Disposals	-	-	(171)	-	-	(171)
Write-offs	(208)	(166)	(4,990)	(2,566)	-	(7,930)
At 31 December 2005	**81,080**	**60,473**	**118,478**	**60,990**	**-**	**321,021**
Net book value						
2005	**211,643**	**123,072**	**83,645**	**97,653**	**176,083**	**692,096**
2004	215,308	120,567	86,237	88,292	115,987	626,391

Lands and airfields, Group and Company, include airport land at a cost of €19.6 million (2004: €19.6 million).

Fixed asset additions, Group and Company, include internal architectural and engineering costs of €1.0 million (2004: €0.7 million Group and Company (Note 2)).

Fixed assets, Group and Company, include cumulative interest capitalised of €8.9 million (2004: €5.0 million). Interest of €3.9 million (2004: €1.8 million), Group and Company, was capitalised at an average rate of 5.3% (2004: 5.5%) per annum.

During the year the Directors carried out a review of the carrying value of the fixed assets in a subsidiary undertaking. The review concluded that the carrying value was in excess of the future discounted cash flows. As a result, an impairment loss in the Group of €1.7 million was charged to the profit and loss account during the year.

Certain hotel buildings were revalued by Donal O'Buachalla & Co Limited, at 31 December 1994. The valuations were carried out in accordance with the Appraisal and Valuation Manual published by the Society of Chartered Surveyors.

Notes *(continued)*

for the year ended 31 December 2005

11 Intangible fixed assets

Group	Concession rights €000	Goodwill[1] €000	2005 Total €000	2004 Total €000
Cost				
At 1 January	15,648	526	**16,174**	16,228
Foreign exchange movement	2,931	-	**2,931**	(54)
At 31 December	**18,579**	**526**	**19,105**	**16,174**
Amortisation				
At 1 January	10,611	141	**10,752**	9,971
Charge for the year	793	54	**847**	793
Foreign exchange movement	2,030	-	**2,030**	(12)
At 31 December	**13,434**	**195**	**13,629**	**10,752**
Net book value	**5,145**	**331**	**5,476**	**5,422**

(1) Goodwill arose on the acquisition of shares in Kievrianta LLC in 2002.

12 Fixed assets – financial

Group	1 January 2005 €000 *As restated*	Additions/ other increases during the year €000	Disposals other movements during the year €000	31 December 2005 €000
Joint venture undertaking				
Share of gross assets	20,148	-	(84)	**20,064**
Share of gross liabilities	(21,317)	-	(82)	**(21,399)**
Loans to joint venture undertaking	4,882	-	-	**4,882**
	3,713	-	(166)	**3,547**
Associated undertakings				
Equity interest at cost	92,219	-	(100)[b]	**92,119**
Goodwill	1,658	808[a]	(98)	**2,368**
Loans to associated undertakings	1,239	110	-	**1,349**
Share of post acquisition profits	79,164[c]	10,311[d]	-	**89,475**
Dividends paid	(39,329)	(8,449)	-	**(47,778)**
Translation reserve	(123)	3,524	-	**3,401**
	134,828	6,304	(198)	**140,934**
Other financial assets				
Other unlisted investments at cost	27,063	-	-	**27,063**
Total financial assets	**165,604**	**6,304**	**(364)**	**171,544**
Company				
Ordinary shares in subsidiary undertakings at cost	25,493	-	(463)[e]	**25,030**
Subordinated loans to subsidiary undertakings	5,078	-	-	**5,078**
Other loans to subsidiary undertakings	97,934	-	-	**97,934**
Loan to associated undertakings	563	-	-	**563**
Loan to joint venture undertaking	4,882	-	-	**4,882**
	133,950	-	(463)	**133,487**

Notes *(continued)*

for the year ended 31 December 2005

12 Fixed assets – financial *(continued)*

Notes:

(a) During the year, Aer Rianta International cpt, a subsidiary undertaking, acquired 19.9% of the issued share capital of Rex Trading JSC for $1 million (€0.808 million). The net book value of the assets at that date was Nil. This is accounted for as an associated undertaking. The premium upon acquisition of €0.808 million is included in the Group's consolidated financial statements.

(b) Disposals and other movements in associated undertakings represents the release of accrued costs that will not materialise arising upon the Group's investment, in prior years, in Birmingham Airport Holdings Limited.

(c) Share of post acquisition profits have been restated due to the effect of applying FRS 17 in an associated undertaking (see Note 7).

	1 January 2005
Share of post acquisition profits	
As previously reported	85,249
Prior year adjustment	(6,085)
As restated	**79,164**

(d) Additions during the year reflect €0.946 million in respect of the net movement in pension obligations which is included in the statement of total recognised gains and losses for the year.

(e) An amortisation charge of €0.463 million (Company) was applied to the investment in DAA Finance plc.

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

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

Notes *(continued)*

for the year ended 31 December 2005

12 Fixed assets - financial *(continued)*

The principal operating subsidiary, associated and joint venture undertakings of the Group, all of which are included in the Group financial statements, are as set out below:

Undertaking	Registered office	Nature of business	% holding of ordinary shares
Subsidiary undertakings			
DAA 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
Aer Rianta International Kosovo LLC	Pristina, Kosovo	Duty-free shopping and related activities	100
Associated undertakings			
Birmingham Airport Holdings 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	50
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
Brooklyn Properties Limited	Cork, Ireland	Cork Airport Business Park development	37.5
Omnistone Limited	Cork, Ireland	Cork Airport Business Park development	25
Hamburg Airport Partners GmbH	Hamburg, Germany	Airport investor	20
City of Derry Hotel Limited	Derry, Northern Ireland	Hotel operator	25
Rex Trading JSC	Moscow, Russia	Duty free shopping and related activities	19.9
Joint venture undertaking			
Turckton Developments Limited	Dublin, Ireland	Business park development	50

Notes *(continued)*

for the year ended 31 December 2005

12 Fixed assets - financial *(continued)*

(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 Airport Holdings Limited and DAA 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 2005 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 29.

13 Stocks

	Group		Company	
	2005 €000	2004 €000	2005 €000	2004 €000
Goods for resale	**22,027**	16,874	**9,684**	7,473
Maintenance	**2,067**	1,813	**2,021**	1,768
	24,094	18,687	**11,705**	9,241

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

14 Debtors

	Group		Company	
	2005 €000	2004 €000	2005 €000	2004 €000
Trade debtors	**31,081**	24,246	**21,959**	17,753
Due from subsidiary undertakings	**-**	-	**36,671**	39,571
Due from associated undertakings	**2,187**	3,830	**483**	2,298
VAT	**405**	702	**-**	75
Corporation tax	**21**	-	**-**	-
Other debtors	**7,145**	7,349	**7,116**	7,088
	40,839	36,127	**66,229**	66,785

Debtors of €5.0 million (2004: €5.2 million) in the Group and debtors of €41.2 million (2004: €43.1 million) in the Company, fall due after more than one year.

Notes *(continued)*

for the year ended 31 December 2005

15 Creditors: amounts falling due within one year

	Group		Company	
	2005 €000	2004 €000	2005 €000	2004 €000
Bank loans (Note 17)	**23,353**	17,480	**16,371**	16,210
Trade creditors	**19,291**	17,671	**8,203**	7,160
Due to subsidiary undertakings	**-**	-	**42,179**	42,444
Other creditors	**11,890**	7,616	**10,649**	6,460
Accruals and deferred income	**121,527**	95,345	**91,682**	68,334
	176,061	138,112	**169,084**	140,608
Tax included in other creditors:				
Corporation tax	**726**	724	**432**	309
Capital gains tax	**6**	-	**6**	-
PAYE	**3,292**	3,070	**3,067**	2,880
PRSI	**2,082**	1,897	**1,874**	1,694
VAT	**1,997**	312	**1,512**	-
Other taxes	**470**	495	**440**	478

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2005 €000	2004 €000	2005 €000	2004 €000
Bank loans	**198,337**	201,690	**75,399**	71,769
Loan notes (Note 17)	**249,143**	249,005	**-**	-
Other creditors	**8,263**	8,630	**8,262**	8,630
Loan from minority interest to subsidiary undertakings	**1,611**	1,211	**-**	-
Due to subsidiary undertakings	**-**	-	**374,000**	374,000
	457,354	460,536	**457,661**	454,399

Other creditors of €6.1 million (2004: €6.4 million), Group and Company, fall due after more than five years.

Notes *(continued)*

for the year ended 31 December 2005

17 Financial liabilities

	Group		Company	
Repayable by instalments:	**2005 €000**	2004 €000	**2005 €000**	2004 €000
Repayable within one year	**23,353**	17,480	**16,371**	16,210
Repayable within one to two years	**21,179**	23,354	**13,908**	16,370
Repayable within two to five years	**43,034**	51,636	**19,773**	29,399
Repayable after five years	**135,735**	127,911	**41,718**	26,000
	223,301	220,381	**91,770**	87,979
Repayable other than by instalments:				
Repayable after five years	**249,143**	249,005	**-**	-
	472,444	469,386	**91,770**	87,979
Included in creditors falling due within one year	**23,353**	17,480	**16,371**	16,210
Included in creditors falling due after more than one year	**449,091**	451,906	**75,399**	71,769

Included above are amounts of €5.6 million (2004: €7.3 million), Group and Company, which are guaranteed by the Irish State.

The Group through its subsidiary DAA Finance plc, has in issue €250 million of loan notes repayable in 2011 on which a fixed interest rate of 6.15% is payable annually. This amount is included in financial liabilities repayable other than by instalments above, net of issue costs. These loan notes are listed on the Official Lists of the Irish and London Stock Exchanges. All amounts payable to noteholders are guaranteed by Dublin Airport Authority plc.

Borrowing facilities

The Group has various undrawn committed borrowing facilities. At 31 December 2005 the undrawn committed facilities available in respect of which all conditions precedent had been met were as follows:

	2005 €000
Expiring in one year or less	76,970
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	30,308
Total	119,248

18 Capital grants

	Group		Company	
	2005 €000	2004 €000	**2005 €000**	2004 €000
At 1 January	**26,257**	27,686	**26,179**	27,608
Amortised to profit and loss account	**(1,699)**	(1,429)	**(1,699)**	(1,429)
At 31 December	**24,558**	26,257	**24,480**	26,179

Notes *(continued)*

for the year ended 31 December 2005

19 Provisions for liabilities and charges

Deferred tax	Group	Company
	2005 €000	2005 €000
At 1 January	5,735	3,094
Charge for the year (Note 8)	1,475	2,030
Adjustment in respect of prior years	(2,081)	(2,081)
At 31 December	5,129	3,043

	Group		Company	
	2005 €000	2004 €000	2005 €000	2004 €000
Comprising				
Timing differences on capital allowances	7,838	8,891	4,113	4,469
Tax losses carried forward	(1,820)	(1,949)	-	-
Amounts not deductible for corporation tax in the current year	(889)	(1,207)	(1,070)	(1,375)
	5,129	5,735	3,043	3,094

20 Called up share capital

	Group and Company	
	2005 €000	2004 €000
Authorised:		
317,500,000 ordinary shares of €1 each	317,500	317,500
Allotted, called up and fully paid:		
186,336,813 ordinary shares of €1 each	186,337	186,337

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

Notes *(continued)*

for the year ended 31 December 2005

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

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

The majority of the Group's employees are those of the parent company, Dublin Airport Authority plc, whose permanent employees over the age of twenty are members of the IAS Scheme. The IAS Scheme is accounted for as a defined contribution scheme under FRS 17.

The combined net pensions liabilities of the Supplemental Scheme and the GSH Scheme, which are accounted for as defined benefit schemes under FRS 17, were as follows:

	Group		Company	
	2005 €000	2004 €000	**2005 €000**	2004 €000
Net pension liability	**4,116**	2,759	**2,033**	1,278

The pension cost to the Group charged against operating profit under FRS 17 for the financial year amounted to €6.4 million (2004: €5.9 million).

	2005 €000	2004 €000
Defined benefit schemes – current service cost	**1,109**	926
Defined benefit schemes – past service cost	**53**	64
Defined contribution schemes	**5,272**	4,936
	6,434	5,926

Notes *(continued)*

for the year ended 31 December 2005

21 Pensions *(continued)*

IAS Scheme

The IAS Scheme is operated in conjunction with a number of other employers. The Company's current and past employees comprise approximately one quarter of the membership of this multi-employer scheme as at the last valuation date.

Benefits payable are determined by reference to final salary and the IAS Scheme is registered as a defined benefit scheme with the Pensions Board. However, under the trust deed governing the scheme, normal contributions are specified for both the employer and employees at the rate of 6.375% of pensionable salary. Employer contributions cannot be varied without the consent of all of the participating employers, and employee contributions also cannot be changed without employee consent.

The Trustees may, on the advice of the Actuary, pay discretionary increases to pensions in payment due to inflation out of disposable surpluses. Historically, increases have been granted by the Trustees in line with changes in the Consumer Price Index, with increases capped in periods of high inflation.

The most recent actuarial valuation of the IAS Scheme was carried out at 31 March 2005 by independent actuaries. This showed that on an ongoing basis the actuarial value of the assets of the IAS Scheme were sufficient to cover 120% of the accrued liabilities allowing for assumed future increases in pensionable salaries, but ignoring future pension increases, and 94% of the accrued liabilities allowing for assumed future increases in pensionable salaries and pension increases in line with increases in inflation. Current rates of contribution from employee and employer, combined with the accumulated fund, were adequate to finance the benefits ignoring future pension increases. The Actuary has noted that indefinite continuation of the existing practice of inflationary pension increases is not supportable without increased contributions.

The IAS Scheme satisfied the statutory minimum funding standard with a margin of 11% above the wind-up liabilities, making no allowance for further discretionary pension increases.

The principal assumptions for the IAS Scheme valuation were that the investment return would exceed general salary inflation by 2% per annum and would exceed discretionary pension increases where appropriate by 4%.

It is the intention of the Company, subject to Ministerial approval, to set up its own pension scheme, the terms of which would be no less favourable than the IAS Scheme, under which eligible members of the IAS Scheme could transfer.

Whilst liabilities of the IAS Scheme attributable to Company members and pensioners can be actuarially determined, the Company is unable at this juncture to identify its share of the underlying assets in the IAS Scheme and the consequential deficit or surplus that would pertain.

The IAS Scheme has been accounted for as a defined contribution scheme under FRS 17 in these financial statements (with the annual charge to the profit and loss account being the actual contributions paid by the Company to the Scheme during the year).

Supplemental Scheme

The Company also operates the defined benefit Supplemental Scheme for certain categories of employees to provide retirement pension benefits supplementary to those payable under the IAS Scheme.

Notes *(continued)*

for the year ended 31 December 2005

21 Pensions *(continued)*

Great Southern Hotels Group
Great Southern Hotels Group operates a Revenue approved defined benefit pension scheme covering that entity's permanent employees over the age of twenty.

Aer Rianta International cpt
Aer Rianta International cpt ("ARI") operates defined contribution pension schemes or makes the required statutory contribution in respect of ARI and its principal subsidiary undertakings, covering the majority of its employees.

Aer Rianta International (North America) Inc. a subsidiary of ARI, operates a defined benefit scheme which is not material in the context of the Group. Full details of the scheme are set out in the financial statements of that company.

FRS 17 "Retirement Benefits" disclosures – Supplemental Scheme and GSH Scheme
The Supplemental Scheme and GSH Scheme are actuarially valued every three years by an independent professionally qualified actuary. The latest full actuarial valuations of the Supplemental Scheme and GSH Scheme were carried out on 1 April 2004 and 1 May 2003 respectively. In accordance with FRS 17 at each reporting date the most recent valuation of the scheme is updated by the actuary to reflect financial assumptions that are current at the balance sheet date.

FRS 17 disclosures for the Supplemental Scheme and the GSH scheme are given on a combined basis below.

The main financial assumptions used by the actuary were:

	As at 31/12/2005	At 31/12/2004	At 31/12/2003
Valuation method	**Projected Unit**	Projected Unit	Projected Unit
Rate of increase in salaries	**4.0%**	4.0%	4.0%
Rate of increase in pension payment	**0%-2.0%**	0%-2.0%	0%-2.0%
Discount rate	**4.3%**	4.9%	5.25%
Inflation assumption	**2.0%**	2.0-2.25%	2.0%

Notes *(continued)*

for the year ended 31 December 2005

21 Pensions *(continued)*

Based on these assumptions, the following table sets out the market value of the assets of the Supplemental Scheme and the GSH Scheme (combined) together with details of the expected long term rates of return used to generate the amounts shown in the profit and loss account. It also shows the most recent valuation of the scheme liabilities updated for movements in the financial assumptions.

	31/12/2005		31/12/2004		31/12/2003	
	Return	**Value €000**	Return	Value €000	Return	Value €000
Equities	**6.8%**	**11,874**	7.3%	7,493	8.0%	6,351
Bonds	**3.3%**	**1,867**	3.8%	1,433	6.0%	1,499
Property	**4.8%**	**952**	5.3%	691	7.0%	626
Cash	**2.0%-2.5%**	**428**	2.0%-3.0%	2,428	3.0%	1,758
Total market value of pension schemes' assets		**15,121**		12,045		10,234
Present value of pension schemes' liabilities		**(19,826)**		(15,198)		(13,939)
Net deficit in schemes		**(4,705)**		(3,153)		(3,705)
Related deferred tax asset		**589**		394		463
Net pension liability		**(4,116)**		(2,759)		(3,242)

In the above table the term "Return" refers to the applicable expected long-term rate of return.

At 31 December 2005, the net pensions liability in the Company was €2.033 million (2004: €1.278 million) being assets of €3.041 million (2004: €2.091 million) and present value of accrued scheme liabilities of €5.366 million (2004: €3.553 million) net of related deferred tax asset of €0.292 million (2004: €0.184 million).

The movement in the deficits on the Supplemental Scheme and the GSH Scheme is shown below.

	Group		**Company**	
	2005 €000	2004 €000	**2005 €000**	2004 €000
Deficit in schemes at beginning of year	**(3,153)**	(3,705)	**(1,462)**	(694)
Current service cost	**(1,109)**	(926)	**(573)**	(467)
Past service cost	**(53)**	(64)	**-**	-
Contributions	**794**	832	**322**	339
Net finance income/(costs)	**33**	(50)	**(45)**	(83)
Actuarial (loss)/gain	**(1,217)**	760	**(567)**	(557)
Deficit in schemes at end of year	**(4,705)**	(3,153)	**(2,325)**	(1,462)
Deferred tax asset	**589**	394	**292**	184
Net pension liability	**(4,116)**	(2,759)	**(2,033)**	(1,278)

Notes *(continued)*

for the year ended 31 December 2005

21 Pensions *(continued)*

	Group 2005 €000	Group 2004 €000
Analysis of amount charged to operating profit		
Current service cost	(1,109)	(926)
Past service cost	(53)	(64)
	(1,162)	(990)

	Group 2005 €000	Group 2004 €000
Analysis of other finance income/(costs) (included in interest receivable/payable) of Group undertakings		
Expected return on pension schemes' assets	816	724
Interest on pension schemes' liabilities	(783)	(774)
	33	(50)

Analysis of amount recognised in the consolidated statement of total recognised gains and losses.

	Group 2005 €000	Group 2004 €000
Actuarial return less expected return on pension schemes' assets	1,420	(193)
Experience gains and losses ongoing on schemes' liabilities	(338)	472
Changes in assumptions underlying the present value of schemes' liabilities	(2,299)	481
Actuarial (loss)/gain recognised in year	(1,217)	760

Year ended 31 December	2005 €000	2004 €000	2003 €000	2002 €000
Difference between expected and actual return on assets	1,420	(193)	582	(2,238)
Expressed as a percentage of scheme assets	9.4%	1.6%	6.6%	30.5%
Experience gains and losses on scheme liabilities	(338)	472	473	984
Expressed as a percentage of scheme liabilities	1.7%	3.1%	4.0%	9.3%
Total actuarial gains and losses	(1,217)	760	568	(3,372)
Expressed as a percentage of scheme liabilities	6.1%	5%	4.8%	31.7%

Notes *(continued)*

for the year ended 31 December 2005

22 Reserves

Group	2005 Profit & loss account €000	2005 Translation reserve €000	2005 Other reserves €000	2005 Total reserves €000	2004 Total reserves €000
At 1 January					
As previously reported	246,900	(3,024)	2,523	246,399	216,529
Prior year adjustment – change in accounting policy (Note 7)	(8,844)	-	-	(8,844)	(8,568)
As restated	238,056	(3,024)	2,523	237,555	207,961
Profit for the financial year	50,086	-	-	50,086	30,770
Currency translation adjustments	-	5,745	-	5,745	(1,278)
Actuarial loss in pension schemes	(2,567)	-	-	(2,567)	(44)
Deferred tax thereon	556	-	-	556	146
At 31 December	**286,131**	**2,721**	**2,523**	**291,375**	**237,555**
As follows:					
Dublin Airport Authority plc	141,887	-	-	141,887	95,184
Subsidiary undertakings	104,124	(680)	2,277	105,721	103,826
Joint venture undertaking	1,996	-	-	1,996	2,162
Associated undertakings	42,596	3,401	246	46,243	40,855
Consolidation adjustment	(4,472)	-	-	(4,472)	(4,472)
	286,131	**2,721**	**2,523**	**291,375**	**237,555**

Included in the profit and loss account reserve is negative goodwill of €14.1 million eliminated against reserves.

23 Reconciliation of operating profit to cash inflow from operating activities

	Group 2005 €000	Group 2004 €000
Operating profit	**64,070**	46,090
Depreciation charge	**44,307**	43,270
Amortisation of intangible and financial assets	**947**	793
Amortisation of goodwill in associated undertaking	**98**	98
Write-off and impairment of tangible fixed assets	**3,257**	874
Amortisation of capital grants	**(1,699)**	(1,429)
Loss on disposal of tangible fixed assets	**12**	196
(Increase)/decrease in stocks	**(5,407)**	44
Increase in debtors	**(7,243)**	(1,872)
Increase in creditors	**22,334**	10,074
Increase in net pension liability	**368**	158
Cash inflow from operating activities	**121,044**	98,296

Notes *(continued)*

for the year ended 31 December 2005

24 Analysis of headings grouped in cash flow statement

	Group	
	2005 €000	2004 €000
Returns on investments and servicing of finance		
Interest received	1,536	2,008
Interest paid	(24,968)	(25,461)
Income from other financial assets	739	502
	(22,693)	(22,951)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(100,322)	(84,018)
Sale of tangible fixed assets	54	1,154
Consideration for grant of easements to associated undertaking	2,298	1,512
	(97,970)	(81,352)
Acquisitions and disposals		
Adjustment to consideration for associated undertaking	-	2,700
Investment in associate undertaking	(808)	-
Loan to associated undertakings	(110)	(598)
	(918)	2,102
Financing		
New bank loans	20,000	30,000
Repayments of bank loans	(17,482)	(17,330)
Loan from minority interest to subsidiary undertaking	224	-
	2,742	12,670

25 Reconciliation of net cash flow to movement in net debt

	Group
	2005 €000
Decrease in cash in the year	(16,489)
Increase in liquid resources	22,706
Increase in debt	(2,742)
Change in net debt resulting from cash flows	3,475
Amortisation of issue costs	(137)
Foreign exchange movement	982
Movement in net debt in the year	4,320
Net debt at 1 January	(384,056)
Net debt at 31 December	(379,736)

Notes *(continued)*

for the year ended 31 December 2005

26 Analysis of net debt

	At 1 January 2005 €000	Cash flow €000	Non-cash movement €000	Foreign exchange movement €000	At 31 December 2005 €000
Cash	26,475	(16,489)	-	1,161	**11,147**
Liquid resources	58,855	22,706	-	-	**81,561**
	85,330	6,217	-	1,161	**92,708**
Debt due within one year	(17,480)	17,482	(23,355)	-	**(23,353)**
Debt due after one year	(451,906)	(20,224)	23,218	(179)	**(449,091)**
	(469,386)	(2,742)	(137)	(179)	**(472,444)**
Total	(384,056)	3,475	(137)	982	**(379,736)**

27 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 2005 was:

	2005			2004		
	Total rate €000	**Floating rate €000**	**Fixed rate €000**	Total rate €000	Floating rate €000	Fixed rate €000
Financial liabilities						
Euro	**470,833**	**33,564**	**437,269**	468,175	75,420	392,755
US dollar	**1,611**	**-**	**1,611**	1,211	-	1,211
	472,444	**33,564**	**438,880**	469,386	75,420	393,966
Financial assets						
Euro	**85,671**	**85,671**	**-**	75,601	75,601	-
Sterling	**1,924**	**1,924**	**-**	1,499	1,499	-
US dollar	**3,356**	**3,356**	**-**	4,159	4,159	-
Canadian dollar	**1,230**	**1,230**	**-**	2,292	2,292	-
Ukraine hryvnia	**522**	**522**	**-**	1,772	1,772	-
Other currencies	**5**	**5**	**-**	7	7	-
	92,708	**92,708**	**-**	85,330	85,330	-

Notes *(continued)*

for the year ended 31 December 2005

27 Financial instruments *(continued)*

The weighted average interest rate for fixed rate euro currency financial liabilities was 5.6% (2004: 5.9%) and the weighted average period for which the rate is fixed was 9 years (2004: 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 based 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 associated and joint venture undertakings of €6.2 million (2004: €6.1 million). The Group has unlisted investments of €27.1 million (2004: €27.1 million) which represent shares in an unquoted company. As a result no interest is received on this investment.

(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				
As at 31 December 2005	**Euro**	**Sterling**	**US dollar**	**Canadian dollar**	**Ukraine hryvnia**
Functional currency of Group operations					
Euro	-	1,817	9,202	50	-
Canadian dollar	-	-	56	-	-
US dollar	216	-	-	-	522
	216	1,817	9,258	50	522

	Net foreign currency monetary assets €000				
As at 31 December 2004	**Euro**	**Sterling**	**US dollar**	**Canadian dollar**	**Ukraine hryvnia**
Functional currency of Group operations					
Euro	-	1,257	7,728	123	-
Canadian dollar	-	-	31	-	-
US dollar	21	-	-	-	1,772
	21	1,257	7,759	123	1,772

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.

Notes *(continued)*

for the year ended 31 December 2005

27 Financial instruments *(continued)*

(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 2005.

	2005		2004	
	Book Value €000	**Fair Value €000**	Book Value €000	Fair Value €000
Primary financial instruments held or issued to finance the Group's operations				
Short-term financial liabilities and current portion of long-term borrowings (Note 17)	**23,353**	**25,743**	17,480	17,959
Long-term borrowings (Note 17)	**449,091**	**491,264**	451,906	492,947
	472,444	**517,007**	469,386	510,906
Derivative financial instruments held to manage the interest rate and currency profile				
Interest rate swaps	-	(229)	-	(379)
Derivative financial instruments held or issued to hedge the currency exposure on expected future sales:				
Forward foreign exchange contracts	-	(12)	-	-

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.

(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:

Notes *(continued)*

for the year ended 31 December 2005

27 Financial instruments *(continued)*

	Gains €000	Losses €000	Total net gains/(losses) €000
Unrecognised gains and losses on hedges on 1 January 2005	-	(379)	(379)
Gains and losses arising in previous years recognised in 2005	-	74	74
Gains and losses arising before 1 January 2005 not recognised in 2005	-	(305)	(305)
Gains and losses arising in 2005 not recognised in 2005	8	56	64
Unrecognised gains and losses on hedges at 31 December 2005	8	(249)	(241)
Of which:			
Gains and losses expected to be recognised in 2006	8	(76)	(68)
Gains and losses expected to be recognised in 2007 or later	-	(173)	(173)
	8	(249)	(241)

Notes *(continued)*

for the year ended 31 December 2005

28 Commitments

	Group		Company	
	2005	2004	**2005**	2004
	€000	€000	**€000**	€000
(i) Capital commitments				
Contracted	**22,724**	63,702	**22,319**	63,361
Authorised by the directors but not contracted for	**31,544**	39,625	**28,577**	32,101
	54,268	103,327	**50,896**	95,462

(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	**664**	16	**633**	-
Two to five years	**32**	807	**-**	798
	696	823	**633**	798
Buildings				
Payable on leases which expire within:				
Two to five years	**727**	977	**-**	-
Greater than five years	**6,678**	5,794	**-**	-
	7,405	6,771	**-**	-

(iii) Other commitments
In the normal course of business the Company'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 2005, the value of such fuel purchase commitments for periods up to April 2006 pursuant to fuel supply agreements was €14.2 million (2004: €29.0 million for the period up to April 2006).

Notes *(continued)*

for the year ended 31 December 2005

29 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.

	2005 €000	2004 €000
Management charges to associated undertakings	**6,930**	4,914
Charges to associated undertakings in respect of services provided by the Group	**392**	542
Sales at cost to associated undertakings	**4,019**	1,407
Profit on sale of easements to associated undertakings (Note 4)	**-**	2,381
Dividends received from associated undertakings	**8,449**	7,995
Loans to associated undertakings	**1,349**	1,239
Due from associated undertakings at year-end	**2,187**	3,830
Loans to 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. In addition, pursuant to the State Airports Act 2004, the Company has entered into interim arrangements with the Cork and Shannon Airport Authorities for the performance on its behalf of certain functions covering Cork and Shannon airports respectively.

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

30 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%).

	2005 €000
At beginning of year	(706)
Share of loss for the year	(349)
Exchange differences	(132)
At end of year	**(1,187)**

Notes *(continued)*

for the year ended 31 December 2005

31 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:

	2005 €000	2004 €000 *As restated*
Turnover	**156,588**	151,503
Fixed assets	**303,312**	306,566
Current assets	**76,081**	70,555
Liabilities due within one year	**(33,015)**	(29,409)
Liabilities due after one year or more	**(286,694)**	(266,159)

The Group's share of capital commitments of all associated undertakings amounted to €22 million.

The Group's share of the results, assets and liabilities of Birmingham Airport Holdings Limited and of Flughafen Dusseldorf GmbH in which the Group holds a 20% stake via Airport Partners GmbH (40%) (associated undertakings which exceed certain size criteria set down in FRS 9) are as follows:

Group share:	**Birmingham Airport Holdings Limited (24.125%)**		**Flughafen Dusseldorf GmbH (20%)**	
	2005 €000	2004 €000 *As restated*	2005 €000	2004 €000
Turnover	**39,366**	38,925	**67,456**	65,494
Profit/(loss) before tax	**10,256**	10,918	**5,700**	(2,454)
Taxation	**(3,292)**	(3,735)	**(3,561)**	(846)
Profit/(loss) after tax	**6,964**	7,183	**2,139**	(3,300)
Fixed assets	**90,365**	83,468	**200,008**	210,933
Current assets	**32,463**	32,406	**19,645**	19,634
Liabilities due within one year	**(11,035)**	(10,681)	**(6,360)**	(9,740)
Liabilities due after one year or more	**(61,826)**	(59,127)	**(193,316)**	(203,924)

Notes *(continued)*

for the year ended 31 December 2005

31 Associates and joint ventures *(continued)*

Consistent accounting policies are adopted by associates of the Group except in the case of Birmingham Airport Holdings Limited which 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 Airport Holdings Limited.

32 Approval of financial statements

The financial statements were approved by the Board on 13 March 2006.

Five Year Summary of Financial Results

	2005 €000	2004 €000 *As restated*	2003 €000	2002 €000	2001 €000
Operating results					
Turnover	**524,982**	465,688	436,868	420,874	438,320
Group EBITDA	**110,992**	89,893	72,625	69,804	72,553
Group operating profit	**64,070**	46,090	29,580	33,274	41,958
Share of profits of associates and joint venture	**30,000**	23,653	19,061	42,638	25,543
Net interest payable – Group, joint venture and associates	**(30,120)**	(31,314)	(34,493)	(31,568)	(26,083)
Group exceptional items	**-**	2,381	7,318	6,056	(23,228)
Profit before taxation	**63,950**	40,810	21,466	50,400	18,190
Taxation	**(14,213)**	(10,555)	(1,453)	(14,172)	(6,627)
Minority interest	**349**	515	233	(5)	4
Profit for the financial year	**50,086**	30,770	20,246	36,223	11,567
Capital employed					
Tangible fixed assets	**809,082**	745,415	706,880	698,394	638,943
Intangible fixed assets	**5,476**	5,422	6,257	7,883	8,448
Financial fixed assets	**171,544**	165,604	175,981	186,017	180,999
Net current (liabilities)/assets	**(18,420)**	2,032	(3,597)	17,490	(40,030)
Total assets less current liabilities	**967,682**	918,473	885,521	909,784	788,360
Creditors over one year	**(457,354)**	(460,536)	(448,333)	(463,444)	(354,078)
Capital grants	**(24,558)**	(26,257)	(27,686)	(30,437)	(32,150)
Provisions for liabilities and charges	**(5,129)**	(5,735)	(6,890)	(12,628)	(29,994)
Net pension liability	**(4,116)**	(2,759)	-	-	-
Net assets	**476,525**	423,186	402,612	403,275	372,138

2004 figures are restated as set out in Note 7. 2001 – 2003 figures are as previously reported.

Five Year Summary of Financial Results *(continued)*

	2005 €000	2004 €000	2003 €000	2002 €000	2001 €000
Summary Cash Flow					
Cash flow from operating activities	**121,044**	98,296	80,139	63,296	82,897
Payments in respect of exceptional restructuring programme	**-**	(3,498)	(4,305)	(18,697)	-
Dividends from associated undertakings	**8,449**	7,995	4,454	3,571	5,268
	129,493	102,793	80,288	48,170	88,165
Net interest paid/investment income	**(22,693)**	(22,951)	(23,052)	(18,352)	(5,212)
Taxation paid	**(4,437)**	(723)	(1,503)	(930)	(10,406)
	102,363	79,119	55,733	28,888	72,547
Investment in tangible fixed assets	**(100,322)**	(84,018)	(59,758)	(94,963)	(114,590)
Investment in/loans to associated and joint venture undertakings and financial assets	**(918)**	2,102	1,974	4,011	(17,764)
Purchase of subsidiary undertakings including the related financial assets	**-**	-	(2,099)	2,352	-
Sale of tangible and financial assets	**2,352**	2,666	11,380	6,953	5,583
	(98,888)	(79,250)	(48,503)	(81,647)	(126,771)
	3,475	(131)	7,230	(52,759)	(54,224)
Dividends paid	**-**	(6,074)	(7,245)	-	-
Cash inflow/(outflow) before management of liquid resources and financing	**3,475**	(6,205)	(15)	(52,759)	(54,224)
Net debt					
Group net debt at year end	**379,736**	384,056	377,420	375,789	320,566

Five Year Summary of Passenger Statistics

Passengers	2005	2004	2003	2002	2001
Overall					
Transatlantic	**1,974,263**	1,799,402	1,697,388	1,417,268	1,616,680
Great Britain	**10,994,132**	10,315,793	9,870,928	9,615,579	9,127,224
Europe	**9,731,486**	8,075,799	7,298,453	6,677,365	6,012,375
Domestic	**986,134**	1,046,590	1,072,045	1,042,135	1,121,304
Transit	**796,754**	550,156	500,104	560,297	636,447
	24,482,769	21,787,740	20,438,918	19,312,644	18,514,030
Percentage growth year-on-year	**+12.4%**	+6.6%	+5.8%	+4.3%	+3.2%
Dublin					
Transatlantic	**1,260,504**	1,106,021	1,011,861	798,902	939,329
Great Britain	**8,261,174**	8,352,602	7,948,276	7,884,031	7,438,259
Europe	**8,175,331**	6,913,388	6,135,378	5,627,552	5,169,717
Domestic	**652,733**	690,205	675,662	650,965	656,834
Transit	**100,697**	76,157	84,907	123,217	129,416
	18,450,439	17,138,373	15,856,084	15,084,667	14,333,555
Percentage growth year-on-year	**+7.7%**	+8.1%	+5.1%	+5.2%	+3.5%
Shannon					
Transatlantic	**713,556**	693,102	685,312	617,877	677,068
Great Britain	**1,162,942**	697,391	713,658	702,313	714,285
Europe	**655,847**	442,942	466,759	495,324	363,251
Domestic	**95,238**	106,822	135,740	117,871	158,362
Transit	**674,841**	454,859	399,208	420,145	491,692
	3,302,424	2,395,116	2,400,677	2,353,530	2,404,658
Percentage growth year-on-year	**+37.9%**	-0.2%	+2.0%	-2.1%	-0.1%
Cork					
Transatlantic	**203**	279	215	489	283
Great Britain	**1,570,016**	1,265,800	1,208,994	1,029,235	974,680
Europe	**900,308**	719,469	696,316	554,489	479,407
Domestic	**238,163**	249,563	260,643	273,299	306,108
Transit	**21,216**	19,140	15,989	16,935	15,339
	2,729,906	2,254,251	2,182,157	1,874,447	1,775,817
Percentage growth year-on-year	**+21.1%**	+3.3%	+16.4%	+5.6%	+5.7%

Five year summary of Aircraft Movements

	2005	2004	2003	2002	2001
Overall					
Commercial					
- Scheduled	**199,490**	186,770	186,028	177,656	182,260
- Non Scheduled	**31,756**	27,472	26,292	25,723	24,119
- Cargo	**11,134**	11,308	12,730	13,447	15,702
Commercial Air Transport Movements	**242,380**	225,550	225,050	216,826	222,081
Percentage growth year-on-year	***+7.5%***	*+0.2%*	*+3.8%*	*-2.4%*	*+2.8%*
Others	**52,425**	45,587	44,639	46,827	62,186
Total Aircraft Movements	**294,805**	271,137	269,689	263,653	284,267
Dublin					
Commercial					
- Scheduled	**151,108**	148,739	143,250	142,805	144,474
- Non Scheduled	**15,477**	14,453	12,288	14,487	14,637
- Cargo	**6,525**	6,773	7,395	8,728	10,952
Commercial Air Transport Movements	**173,110**	169,965	162,933	166,020	170,063
Percentage growth year-on-year	***+1.9%***	*+4.3%*	*-1.9%*	*-2.4%*	*+4.8%*
Others	**13,728**	12,210	14,848	15,854	15,639
Total Aircraft Movements	**186,838**	182,175	177,781	181,874	185,702
Shannon					
Commercial					
- Scheduled	**20,046**	14,534	15,709	15,455	18,282
- Non Scheduled	**11,097**	8,420	7,586	7,572	5,395
- Cargo	**3,096**	2,988	3,842	3,194	3,234
Commercial Air Transport Movements	**34,239**	25,942	27,137	26,221	26,911
Percentage growth year-on-year	***+32.0%***	*-4.4%*	*+3.5%*	*-2.6%*	*-2.4%*
Others	**10,854**	9,876	10,504	10,642	21,073
Total Aircraft Movements	**45,093**	35,818	37,641	36,863	47,984
Cork					
Commercial					
- Scheduled	**28,336**	23,497	27,069	19,396	19,504
- Non Scheduled	**5,182**	4,599	6,418	3,664	4,087
- Cargo	**1,513**	1,547	1,493	1,525	1,516
Commercial Air Transport Movements	**35,031**	29,643	34,980	24,585	25,107
Percentage growth year-on-year	***+18.2%***	*-15.3%*	*+42.3%*	*-2.1%*	*-4.3%*
Others	**27,843**	23,501	19,287	20,331	25,474
Total Aircraft Movements	**62,874**	53,144	54,267	44,916	50,581

General business and aeronautical information

Dublin Airport

Location	Lat.532517N, Long.0061612W (midpoint runway 10/28)
Elevation	242 ft. AMSL
Runway Data	10/28 Length 2637 metres – Width 45 metres plus 7.5m shoulders each side Surface concrete, Category IIIA (runway 28), Category II (runway10)
	16/34 Length 2072 metres – Width 61 metres Surface asphalt, Category I (runway 16) Non inst (runway 34)
	11/29 Length 1339 metres – Width 61 metres Surface asphalt – concrete Non 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 5479 (24hrs)
Telephone Number	National (01) 814 1111
	Intl 353 1 814 1111
Web	**www.dublinairport.com**
Sita	DUBRB7X (Airport Administration) DUBYREI (Operations)

General business and aeronautical information
(continued)

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

General business and aeronautical information

(continued)

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 This Rwy is at present Notamed out of service
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)

Dublin Airport Authority	Head Office, Old Central Terminal Building Dublin Airport, Co. Dublin, Ireland T: 353 1 814 1111 F: 353 1 814 4120 W: www.dublinairportauthority.com
Registered Office	Dublin Airport, Co. Dublin, Ireland
Aer Rianta International	Head Office, Shannon Airport, Co. Clare, Ireland. T: 353 61 712 777 F: 353 61 474 595 W: www.ari.ie
Aer Rianta International Middle East	4th Floor, Falcon Tower Building, Diplomatic Area, P.O. Box 10047, Manama, Kingdom of Bahrain. T: 00 973 17537979 F: 00 973 17533741 W: www.arime.com
DAA Finance	Old Central Terminal Building, Dublin Airport, Co. Dublin, Ireland T: 353 1 814 1111
Great Southern Hotels	Head Office, 6, Charlemont Terrace, Dun Laoghaire, Co. Dublin, Ireland T: 353 1 214 4800 F: 353 1 214 4805 W: www.greatsouthernhotels.com
Auditors	KPMG 1, Stokes Place, St Stephens Green, Dublin 2
Principal Bankers	Bank of Ireland Allied Irish Bank European Investment Bank

Notes

Dublin Airport Authority plc Annual Report and Accounts 2005