2006

Annual report and financial statements

Dublin Airport Authority plc
Údarás Aerfort Bhaile Átha Cliath cpt

Vision

To deliver a quality airport travel experience to the best international standards

Cover: Northern elevation of T2 Back cover: Left: Northeastern elevation of T2 Right: Elevated view of check-in area

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Board
Directors

Gary McGann
Chairman

Gary McGann held various senior executive positions in Irish industry, including LM Ericsson, 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 remains Group Chief Executive. Gary is a former President of IBEC.

Colm Barrington

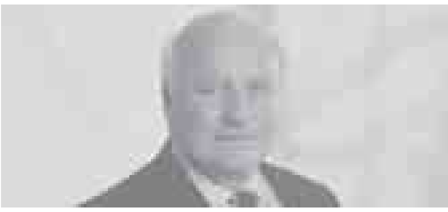
Colm Barrington is Managing Director of Babcock & Brown Limited, the Irish subsidiary of the global investment and advisory firm that specialises in the creation, syndication and management of asset and cash flow-based investments. He started his career with Aer Lingus as a financial analyst and later assumed responsibility for acquiring and financing hotels for the airline. In 1979 he joined the aircraft leasing company, GPA Group plc, where he held a number of senior executive positions, including that of Chief Operating Officer.

Declan Collier

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

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 of Companies and a member of the national executive of IBEC's Small Firms Association. He was appointed to the Company Law Reform Group, the National Sustainable Development Partnership and the Small Business Task Force. He has served on the Board of Repak and is currently a member of the Small Business Forum and the EPA National Committee.

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 Taskforce on Active Citizenship.

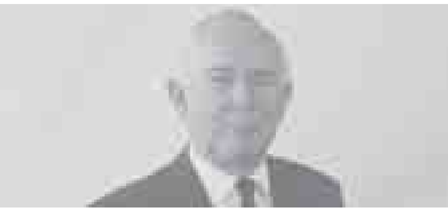
Pat Fitzgerald

Pat Fitzgerald was appointed to the Board in March 2005 under the Worker Participation (State Enterprises) Acts, 1997 and 1998. He was first appointed to the Board of Aer Rianta in 1994 and reappointed in January 1998 and January 2002. Pat joined the company in 1966 and works in the Catering Department at Shannon Airport.

Sir Michael Hodgkinson
Sir Michael Hodgkinson joined the British Airport 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, 1997 and 1998. 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 service to Dublin Airport staff.

Brian Lynch
Brian Lynch was appointed to the Board in March 2005 under the Worker Participation (State Enterprises) Acts, 1997 and 1998. 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 SIPTU and has represented the Cleaning Section at Local and Branch level for many years. At present he is the Chairperson of the DAA 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, 1997 and 1998. Barry joined the company in 1990 and works in the Airport Police/Fire Service. He is a member of the National Executive of SIPTU, the Irish Congress of Trade Unions Worker Directors Group and 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, a major Irish bank, he was Financial Controller of Allied Irish Investment Bank for 17 years and subsequently Head of Group Internal Audit at AIB itself for five years.

Gary McGann

Chairman

"The delivery of the new terminal (T2) and the other key elements of the DAA's Capital Investment Plan for Dublin Airport are, without doubt, the most significant challenges facing the Group and its many stakeholders and a key issue for the Irish economy."

Gary McGann

Chairman's statement

The Dublin Airport Authority (DAA) made very solid progress in implementing or facilitating the implementation of many of its business objectives during 2006. However, at the end of the year significant uncertainty still remained as to the delivery timeframe for some of the Group's key strategic objectives.

Regrettably, despite the commendable performance of all concerned in securing a swift planning decision from Fingal County Council for Dublin Airport's new passenger terminal and associated infrastructure, many planning and funding issues remained unresolved at the end of 2006 with regard to these urgently-needed facilities.

The delivery of the new terminal (T2) and the other key elements of the DAA's Capital Investment Plan for Dublin Airport are, without doubt, the most significant challenges facing the Group and its many stakeholders and a key issue for the Irish economy.

Following a decade of traffic growth at well above average international rates, Dublin Airport experienced an unprecedented 15% surge during 2006 that saw passenger numbers grow by 2.7m to 21.2m.

While all new business is very welcome, this rate of volume increase hugely compounds the pressure on the already seriously congested passenger processing and airfield facilities at Dublin Airport and lends greater urgency to the pace at which new capacity must be delivered.

Progress made

The DAA has responded to this challenge at both a strategic and operational level. Operationally, the recruitment of additional passenger security and customer care staff and the optimal utilisation of all available processing space in the terminal buildings served to mitigate the major impact of congestion at peak travelling periods.

Strategically, within the short time span since the Government made its decision to proceed with a second terminal in May 2005, the DAA has made very significant progress.

During that period, the company has assembled a world-class team of partners across a range of disciplines to facilitate delivery of the T2 project before the end of 2009.

During 2006 this team conducted a comprehensive consultation process, unprecedented in scale, with airlines and other key stakeholders at Dublin Airport to ascertain their projected business requirements.

Following this process, by early summer 2006, a detailed functional and design specification for T2 was produced together with the linked boarding gate facility called Pier E and the range of other roads, car parks, utilities, set-down kerbs, and aircraft parking space, required to make T2 work efficiently and enhance the operational efficiency of the overall airport.

By the autumn, this critical and complex piece of new public infrastructure had obtained planning permission from Fingal County Council and a commitment from An Bord Pleanala to conduct the planning appeals process expeditiously.

While all this was being delivered, the project team also worked with independent, Government-appointed consultants, who subsequently affirmed that the consultation and budgeting processes, and costs associated with the overall T2 development, were in line with best international practice.

Parallel to this planning and design work, the new 12-gate passenger boarding facility, called Pier D, is being built on budget and on time for delivery in late 2007.

In this context, the DAA believes it has acted quickly and effectively in addressing both the Government directive and the patent needs of users, to deliver significant new capacity at Dublin Airport on an incremental basis up to 2009 and over the subsequent five-year period.

Based on its regular surveys of passengers the company also believes that a large majority of its customers support the rapid delivery of this infrastructure – 70% of which was either at the planning stage or under construction by the end of the year.

Regrettably, due to planning and other considerations, we are still not in a position to declare with certainty when passengers will experience the full benefits of the greatly enhanced capacity and comfort that T2 will deliver at Dublin Airport. Construction work must begin on T2 by July if it is to be completed and commissioned before the end of 2009.

Funding challenges

The issue of how the Capital Investment Plan is appropriately funded also remained unresolved at the end of last year. The DAA has stated clearly that it believes an average charge of approximately €7.50 per passenger over the four-year regulatory period, 2005-2009, is required to deliver the optimal funding model via a balanced combination of airport charges, commercial revenues and borrowings.

Any regulatory outcome that varies significantly from this level will leave the DAA bearing the risk of higher borrowing levels and higher funding costs due to the possibility of a lower credit rating. The company would also bear the risk of being more exposed than is prudent to an economic shock and the impact that could have on projected traffic growth and profitability.

The DAA continued to engage intensively with the Commission for Aviation Regulation (the Commission) on this critical issue through 2006 and some progress was made. In the earlier part of the year, the Commission acceded in part to the findings of a Statutory Appeals Panel and increased its Determination on airport charges from an average of €6.14 to €6.34 per passenger. Later in the year, the Commission agreed to a review of the Capital Expenditure element of its Determination and that review is currently at an advanced stage.

The DAA wishes to acknowledge both the formal and informal support it has already received for the relatively modest funding increase required to fund its Capital Investment Plan from many key stakeholders at Dublin Airport and from the wider political, business and tourism communities.

We now expect a final Determination from the Commission in June. It is to be hoped the Commission will take full regard of these viewpoints and of its full range of statutory objectives as set down by the State Airports Act, 2004, as it takes this important decision.

Commercial organisation

The DAA benefits strongly from the contribution made by Aer Rianta International (ARI), the wholly-owned subsidiary that manages the Group's overseas assets. ARI provides an important source of income for the Group outside of its regulated airport activity. 2006 was a very progressive year for ARI.

As a commercial organisation, the Group must constantly evaluate its plans for its business assets and activities. In addition to plans for airport separation, the DAA has reviewed all of its other commercial activities. A ten-year plan has been put in place for the further development of the Group's international retailing business, carried out through ARI. The Group has proceeded with the sale of the Great Southern Hotels, and, late last year ARI completed the sale of its small shareholding in Hamburg Airport in Germany and decided to explore the possible sale of its 24% holding in Birmingham International Airport in the UK. These disposal decisions, whilst cognisant of current attractive sector asset valuations, were primarily reflective of business specific circumstances in each case.

The Group's net borrowings were reduced significantly last year following the sale of the Hamburg airport interest and, more particularly, the GSH hotel chain. Following several years of increasing losses at the GSH Group, the individual hotels were sold as going concerns at an attractive price. The sale process ensured the interests of all stakeholders, including the employees who either wished to leave the GSH Group or to remain with the various new owners, were managed equitably.

Any proceeds realised from the possible disposal of ARI's interest in Birmingham will be used to further strengthen the DAA's balance sheet as it faces the range of significant demands on its scarce capital resources.

The decisions taken by the DAA in relation to some of its overseas airport investments and to GSH underscore the Group's determination to optimise the return on all its business assets and to restructure or exit from those making sustained or unacceptable losses.

Shannon's future

The DAA's most significant remaining underperforming business unit is Shannon Airport. In its continuing efforts to address Shannon's serious financial difficulties and to restructure its uncompetitive cost base, 2006 proved a difficult year for the company.

The critical challenges facing Shannon continued to grow apace. Issues such as over-dependence on unsustainable, transient military traffic; the required capital investment in catering and airfield facilities; the impact on transatlantic traffic of the inevitable Open Skies environment and the existing competitive threat to US and European traffic from neighbouring airports in Cork, Kerry and Knock, became more pressing with every passing month.

Thankfully, the current year has begun more brightly and agreement has been reached concerning a major cost restructuring programme at Shannon Airport. This agreement is predicated on fully achieving the future cost savings required to secure the airport's long-term viability. While the complex task of implementing the agreement has only just begun, a platform has been established from which Shannon can begin to compete effectively, generate sustainable profits and serve as a dynamic economic engine for the West of Ireland region.

Redevelopment of Cork Airport

Last year was a landmark year for Cork Airport. When the DAA was formally established in late 2004, it assumed responsibility for the advanced work in progress comprising Cork Airport's redevelopment programme and the contractual obligations attached to it. While the Board was less than fully satisfied with the overall cost of the redevelopment and the delays in bringing the new terminal into operation, it believes the people of Cork and Munster now have a gateway of which they can be justifiably proud. I would like to congratulate the management and staff of the airport for their professionalism in transferring operations to the new terminal at the height of the busy summer season.

The issue as to how the investment in new facilities at Cork Airport is remunerated remained unresolved at year-end. In this context, our shareholder has proposed that the Cork Airport Authority (CAA) assume a certain proportion of the debt associated with the airport. This proposal is based on a number of independent reviews of Cork's capacity to manage and fund the debt. The proposal is designed to achieve the strategic objective of the near-term separation of Cork Airport from the DAA.

The DAA supports this proposal on the basis that it assists the DAA's financing of its challenging development programme and that it provides the CAA with a very solid platform for business growth and for a viable future as a separate airport company.

The State Airports' Act

This issue, combined with the cost restructuring challenges at Shannon Airport and regulatory uncertainty at Dublin Airport, continued to delay completion of business plans for all three airports and, as a consequence, full implementation of the State Airports' Act, 2004.

The principal objective of that legislation was to establish these airports as separate, viable commercial entities. The Act sets out clear criteria by which separation can be brought about, principally that the boards of the three airport authorities submit detailed business plans to the Minister for Finance and the Minister for Transport that demonstrate the sustainable operational and commercial viability of each airport.

The DAA for its part continues to work with its shareholder towards a situation in which business plans can be completed as soon as possible so that separation can occur. It believes that the circumstances to achieve this objective are now present. The company also continues to increase the value of its distributable reserves, through a combination of profit maximisation and prudent asset sales, to a level sufficient under the requirements of company law to facilitate full separation.

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 2006. I would also like to express my gratitude 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 continuing commitment and support. My thanks also to the Minister for Finance, Brian Cowen, T.D., the outgoing Secretary General of the Department of Finance, Tom Considine and the new Secretary General, David Doyle and to their colleagues for their assistance.

Finally, I wish to extend my appreciation to my fellow board members, including DAA Chief Executive, Declan Collier, for their commitment, professionalism and patience, both at full board level and in their work on the various board sub-committees during 2006; and in particular to the management and staff of the DAA for their dedication and support in challenging operational times.

Gary McGann
Chairman

16 April 2007

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Designed by Desmond Fitzgerald in the late 1930s, the Old Central Terminal Building was built to cater for 100,000 passengers a year. The building currently houses offices for the DAA and Met Éireann.

Declan Collier
Chief Executive
"Further growth in profitability, including increases in airport charges from their current low levels, is necessary to finance appropriately the major capital investment programme underway at Dublin Airport and to meet the many other demands on the Group's limited capital resources."

Declan Collier

Chief Executive's review

At a topline level, the DAA improved its financial position significantly during 2006, supported by strong passenger volume growth across its three Irish airports, the impact of the first increase in airport charges at Dublin Airport in more than twenty years, a continued focus on operational efficiency and a successful sale of its GSH hotels business.

Total passenger numbers through Dublin, Shannon and Cork Airports increased by nearly 14% to 27.8m. Group turnover also rose strongly, by 13% to €591m. This figure included a nine-month revenue contribution of €35m from GSH, whose sale was completed at the end of September.

All key profitability indicators continued to move in a positive direction. EBITDA (earnings before interest, taxation, depreciation and amortisation) rose by €34m (31%) to €145m; net cash flow from operating activities was €27m (22%) higher at €148m; and profit for the financial year from the Group's normal activities increased by 39% to €69.5m.

Exceptional items amounted to €96.5m which comprise the after tax profits on disposal of GSH and Hamburg investment of €125m and €3m respectively less the after tax cost of the Shannon restructuring plan of €31.5m.

When exceptional items are included, Group profit for the financial year amounted to €166m in 2006.

While this outcome is welcome and the fundamental trends are encouraging, the DAA's current level of profitability needs to be placed in context. Excluding the exceptional contribution, the profit for the financial year of €69.5m merely restores DAA to the level of profitability achieved by its predecessor, Aer Rianta, in the late 1990s, when duty free sales represented a much more significant business activity.

Funding the development programme

Further growth in profitability, including increases in airport charges from their current low levels, is necessary to finance appropriately the major capital investment programme underway at Dublin Airport and to meet the many other demands on the Group's limited capital resources.

The DAA plans to spend up to €1.2bn over the next three years, and up to €2bn over the next decade to deliver the second passenger terminal (T2) and the other significant passenger and airfield facilities needed to meet its customer and capacity requirements at Dublin Airport.

It is important to note that none of the DAA's funding is provided by the Exchequer or the taxpayer. All the Company's operational expenditure and its capital investment requirements must be funded by a combination of the DAA's own commercial revenues, borrowings and by airport charges paid by passengers.

The Group's net debt levels had fallen sharply to €136m at the end of 2006 due to the proceeds of the GSH sale. But this position will soon change radically. As the Dublin Airport investment programme is rolled out, the Group's net borrowing position is expected to climb to over €1bn over the course of the next five years. In this context, the DAA has recently obtained the approval of its shareholder to increase its statutory borrowing limit from the current level of €0.7 billion to €1.8 billion.

In order for the DAA to fund this level of debt within objectively measured and prudent parameters of financial risk, Group EBITDA needs to increase significantly over the same time frame.

DAA staff at Dublin Airport

In this context the DAA has been setting forth its arguments about the critical importance of an appropriate level of airport charges to fund its investment programme at Dublin Airport, for some time. It is regrettable that less than three years prior to the planned opening of T2, considerable uncertainty remains as to the level of airport charges the Commission for Aviation Regulation (the Commission) will allow.

The facts relating to current airport charges are clear: Dublin Airport did not benefit from an increase in airport charges between the late 1980s and 2005, during which period charges fell by more than 40% in real terms and intra EU-duty free was abolished. The increase sanctioned by the Commission in 2005 raised the maximum charge per passenger to an average of €6.34 for the current regulatory period but still left Dublin Airport's charges as by far the lowest of any capital city airport in Europe.

Even allowing for the modest increase being sought by the DAA to fund its investment programme, Dublin Airport's charges will still lie at the bottom end of the range of its peer airports.

Growth set to continue

The challenges facing Dublin Airport, however, are unlike those of any other European airport, both in terms of its traffic growth rates and the scale of the infrastructure catch-up required to match capacity with that growing demand.

Some headline traffic statistics serve to put Dublin Airport's recent growth in perspective. In 1989 Dublin Airport had 5m passengers. This number had doubled to 10m passengers by 1997 and more than doubled again to 21m passengers by 2006.

Last year Dublin Airport had the highest passenger growth of any of Europe's largest 35 airports. Passenger volumes rose by 2.7m (15%) over the year or by an average of some 7,500 per day.

For some years Dublin Airport has experienced growth rates way above the international average of 5-6% per annum and is now the ninth largest international passenger airport in Europe and the sixteenth largest in the world. While the very high recent rates of traffic growth are expected to moderate somewhat, the airport is forecast to add at least one million passengers per annum over each of the next fifteen years. Put another way, in the first sixty-six years of its existence, Dublin Airport handled approximately 200m passengers; in the next ten years it is projected to handle 250m.

Dublin Airport's key function as the principal economic gateway to the island of Ireland is becoming more important and pronounced as the Irish economy grows and as business and leisure connections with the rest of the world multiply. Yet it is clear to all Dublin Airport's stakeholders that the current airport complex was built for a different Ireland and a different era and that decisive action is now required.

To address the combined impact of historical underinvestment and unprecedented growth rates, the DAA plans to invest up to €2bn in new capacity at Dublin Airport over the next ten years. It is perhaps sobering to note that as Dublin catches up, Europe's major airports will spend up to €90bn delivering new infrastructure over the same period.

In his statement, the Chairman has set out the substantial progress the DAA has made since the Government announced its Aviation Action Plan in May 2005, both in building new infrastructure and in advancing its capital investment programme through the planning process.

In the relatively short period of time since the DAA formally came into existence in late 2004, one of its key priorities has been to improve the experience of passengers at Dublin Airport. In the short term the focus has been on trying to mitigate the effects of congestion at busy travel periods by employing significantly more passenger security and customer care staff; by maximising the amount of operational space on the departures floor; and by delivering cost-effective temporary facilities to ensure airline operations are as streamlined as possible.

But importantly for passengers, as these can only be seen as short term, the DAA's longer-term capital investment programme is already beginning to deliver new facilities and benefits.

By the end of 2006 a spacious new check in area had been completed beneath the arrivals area in the existing terminal building (T1). This 'Area 14' provides 25 new check-in desks, new ticket desks and a new integrated baggage-processing system capable of handling up to 4m departing passengers per year. The new facility, which will be used by Aer Lingus, will divert significant volumes of departing passengers from the existing departures floor and provide additional processing and circulation space in T1, while T2 is under construction.

The major new aircraft boarding gate facility known as Pier D is beginning to dominate the airport's skyline and will be delivered next autumn. This 250 metre-long building, connected to the existing terminal by a new, elevated walkway, will provide comfort and space to passengers as they board and disembark aircraft at 12 new boarding gates.

A planning application has been submitted to Fingal County Council for an extension to T1, providing new check-in facilities, new circulation and lounge space, and new retail and catering facilities for passengers as they journey from the terminal to their departure gates. Subject to planning, this development will be delivered in stages through the latter half of 2008.

T2 key to future

The centrepiece of the near-term capital investment programme is the new passenger terminal, T2 and its new boarding gate facility, Pier E. Given the importance of Dublin Airport as a gateway to this island, this is arguably one of the more important pieces of public infrastructure in the history of the State, and one that will impact on the economic wellbeing of our country and capital city, well into the 21st century. When built, it will provide capacity for at least ten years of comfortable traffic growth at the airport up to 35m passengers per annum.

The DAA believes strongly that the time for the valid debates about how Dublin Airport's infrastructure requirements should be delivered, is now well and truly over. This view is supported by a broad-based constituency of interested stakeholders. The Government has directed that a very significant investment programme should be implemented at the airport, and within a very challenging timeframe; the business and tourism communities have called for the rapid delivery of new capacity; and many airlines, either already based at the airport or seeking to establish services there, have echoed this call. Above all, the travelling public require a significantly improved travelling experience.

The consultation and budgeting processes, which have determined the scale, design and costs of T2 and related facilities, have been fully benchmarked by independent consultants, Boyd Creed Sweett, appointed by Government. They reported last summer that these processes were conducted to the highest international standards and that the cost of building T2 was comparable to the cost of similar facilities at other peer airports throughout Europe.

The detailed functionality and design of T2 is described elsewhere in this annual report. I would like to note here however, that the DAA engaged in a comprehensive consultation process with airlines, Fingal County Council and other stakeholders to create a building that delivers the operational and comfort standards required of a capital city airport; delivers the value required of all major transport infrastructure projects; and delivers the design qualities that reflect the self-confidence and values of modern Ireland.

Delivery of T2 will bring benefits for all users of the airport and not just those passengers who use the new terminal at any particular time. Passengers who use the existing terminal will benefit from additional space and comfort as upwards of 10-12m passengers per annum migrate to T2 and as the DAA commences its planned refurbishment and upgrading of T1.

In the context of this comprehensive consultation, planning and benchmarking and of the urgent need for delivery of new infrastructure at Dublin Airport, the DAA now simply requires clarity as to when it can begin building in earnest, and certainty as to how its major investment will be funded.

The DAA is aware that Ryanair has expressed its opposition to the development plan for Dublin Airport and has signalled that it will pursue possible legal action as well as its current planning objection, to prevent construction of the new facilities. The DAA regrets that Ryanair has taken this position, especially in view of the extensive consultative process undertaken. T2 is a well-developed response to an accepted capacity deficit being delivered to the fastest possible timescale. DAA would like to reassure passengers and other stakeholders that it will do everything within its control to transform the passenger experience at Dublin Airport swiftly and as planned. It is, after all, passengers and not airlines that ultimately pay the airport's charges as a proportion of their airline ticket and the modest increase required by the DAA represents a fraction of the price now paid by passengers in many instances for standard airline services.

The Company has no control over the planning process, but hopes that delivery of T2 and associated facilities will not suffer delays during this process. Planning permission for this development was received in October 2006 and construction work must begin on T2 by July if it is to be completed and commissioned before the end of 2009.

Business overview

I wish to focus now on a review of our principal business units over the past year. The DAA has a responsibility to ensure its own operations are managed efficiently for the benefit of all its stakeholders. A report carried out 18 months ago for the Commission for Aviation Regulation stated that Dublin Airport's operational costs were the second lowest of a 25-member group of peer European airports. In the context of the 15% growth in passenger numbers through the airport during 2006, the Company believes its status as a cost efficient airport has been consolidated.

Area 14

Formally used for storage the new Area 14 departures facility at Dublin Airport, can check in up to four million passengers a year.

Nonetheless, airports by their nature are labour-intensive operations. The requirement to provide services such as operations, security and fire protection on a round-the-clock basis inevitably increases pressure on costs, which must be managed rigorously. The DAA is committed to a sustained cost management approach as it prepares itself for the competitive tender process that will decide who operates T2.

The DAA's material and services operating costs across the three Irish airports increased by 8% during 2006 to €84m, driven principally by higher energy, regulatory and re-branding costs. Labour costs rose by 6% to €150m, though the impact of the recruitment of significant numbers of new passenger security and customer service staff at Dublin Airport, did not crystallise fully in 2006. As aviation traffic continues to grow strongly and as EU airport security regulations become more onerous, these new employees have been taken on to ensure the passenger journey through the airport is as comfortable, secure and safe as possible. They comprised a large majority of the 168 new full time equivalent employees recruited during 2006, bringing the total number of full time equivalent employees at the three airports to 2,667 for the year.

Dublin Airport

As ever, passenger traffic was particularly heavy during the peak travel months of the summer. For the first time Dublin Airport handled over two million passengers in a single month last June and repeated that performance for each of the subsequent months up to and including September.

Despite the obvious impact of this surge in passenger numbers on the airport's constrained infrastructure, the DAA believes Dublin Airport managed its operations satisfactorily last year. This outcome was facilitated by a range of key developments including notably, the introduction by the Commission for Aviation Regulation of compulsory slot co-ordination for last year's summer season.

Under this system, which operates at most major airports throughout Europe, airline carriers are allocated fixed time slots, during which they can utilise an aircraft stand and board or disembark passengers. This facilitates a greater distribution of peak aircraft movements throughout the day and achieves more streamlined airport operations both in the terminal and on the airfield. The DAA welcomes the decision by the Commission to re-introduce schedules co-ordination for summer 2007 at Dublin Airport and indefinitely from winter 2007.

The DAA itself invested significantly in recruiting additional passenger security and customer care staff last year to support passengers on their journey through the airport. More than 100 additional passenger security employees were recruited in Dublin bringing overall numbers of full time equivalents in this key operational area to over 500. Significant numbers of new customer care employees were recruited to provide additional information and support at busy passenger activity areas in the terminal building. Their efforts were supported by a comprehensive public information campaign and during particularly busy periods by volunteer office-based staff.

One such occasion was the introduction of new EU-wide passenger security regulations governing liquids and liquid-like substances in November. The regulations involved considerable changes for passengers in terms of items permitted in their carry-on luggage and additional responsibility for passenger security staff in terms of identifying newly-proscribed items. The DAA conducted a comprehensive customer information campaign in advance of the new regulations. Thanks to the co-operation of our customers the regulations were introduced with minimal disruption to operations across the three airports, Dublin, Shannon and Cork. Continued vigilance and compliance will be required, however, in the face of potential security threats at airports worldwide.

Left: Cork Airport's new terminal Right: Shannon Airport

Dublin Airport experienced two such incidents in the first week of July last year, the first in many years. These required the full evacuation of the terminal building in each case and caused some disruption to operations as a result. Thankfully, neither incident involved a serious security threat, though neither our customers nor staff could have been aware of that at the time.

In addition to the investment in new people, every effort was made to maximise the space available for passenger circulation on the busy departures floor at Dublin Airport last year. Projects here included the transfer of the Bank of Ireland branch from the departures floor to the arrivals floor and the re-location of a number of airline ticket desks.

Last year also saw major investment in the short-term car park and coach parking facilities at the airport. As a result, the short-term area has been re-organised into five discrete car park units comprising three multi-storey blocks, a surface car park and a dedicated coach park. Each unit is now controlled by an automated access and egress system, obviating the requirement for cash payments on exit.

The development also facilitates passenger set-down by private and public transport vehicles to the rear of the multi-storey car park blocks, thus creating additional space on the busy departures level road. Passengers can access the departures floor of the terminal directly by means of a newly-installed travellator in the car park atrium. Planned enhancements to the car park service in 2007 include the introduction of web-based pre-booking and pre-payment systems for short and long-stay customers and a new number plate recognition system, which will facilitate pre-booking and enhance overall vehicular security.

New routes

The most significant contributor to aviation traffic growth last year was Ryanair, which launched 18 new routes and services by early summer. Ryanair subsequently surpassed Aer Lingus as Dublin Airport's largest passenger carrier in June.

Overall, 29 new routes were launched at Dublin Airport and 22 new services added on existing routes. At the end of the year a total of 94 airlines served 183 destinations from Dublin and of these, 47 scheduled operators served 142 scheduled routes.

The European and transatlantic markets showed strongest growth again last year. European traffic grew by 26% underpinned for the second consecutive year by a significant increase in services to and from Central and Eastern Europe. In the case of one country in particular, Poland, the growth has been dramatic. In the two-year period, 2004-2006, the Polish market has grown from 43,000 passengers travelling between Dublin and one destination served by two airlines, to 580,000 passengers travelling to seven destinations served by six airlines.

The provision of additional services to New York by both Continental Airlines and Delta Air Lines, contributed to further solid growth on the transatlantic market where passenger numbers were 8% higher.

The newly-emerging Gulf Region market received a further boost during 2006 with the launch of Aer Lingus's new service to Dubai and the subsequent increase in schedules flown by both Aer Lingus and Gulf Air to Dubai and Bahrain respectively. These welcome new long-haul connections to the Middle East and onwards to Asia, Australia and Africa, will be augmented in 2007 with the planned introduction by Etihad Airlines of a four-times weekly service between Dublin and Abu Dhabi.

The new services to the Middle East and beyond have added some momentum to Dublin Airport's cargo traffic where tonnage rose slightly last year to just over 140,000 tonnes.

Shannon airport

At an operational level, Shannon had a successful year in 2006 though this was tempered by the ongoing significant excess in the airport's cost base and by the sudden loss of a substantial tranche of military transit traffic mid-year.

Overall passenger volumes rose by 10% to 3.6m and, importantly for the airport, the number of passengers either beginning or ending their journeys at Shannon increased by nearly 14% to 3.0m.

The range of destinations on offer from the airport continued to grow with the launch of 14 new services to the UK and continental Europe, serving airports as diverse as Bournemouth, Gdansk and Faro.

Another very welcome development was the strong 9% increase in the numbers of transatlantic passengers to a record 781,000. This traffic growth was underpinned by a new direct Delta Air Lines service to JFK and by new Aer Lingus and American Airlines direct services to Chicago. Further expansion on the North Atlantic is planned for summer 2007 with the introduction of weekly services to Toronto by Flyglobespan.

The tonnage of cargo flown to and from Shannon increased by 5% in 2006 to 31,000 tonnes. Shannon now handles approximately 25% of Ireland's air cargo trade and is the only airport outside Dublin to be serviced by all four major global freight carriers, DHL, FedEX, TNT and UPS.

Shannon's continued growth was recognised during the year by its receipt of the Airports Council International (ACI) Best European Airport Award in the 1-5 million passenger category, the first Irish airport to receive such an accolade. Shannon also won the Best Irish Airport Award for the second successive year from Chambers Ireland.

But, as stated by the Chairman, Shannon's serious underlying financial difficulties persist and the transient nature of some of its transit traffic was highlighted in July when World Airways transferred to Germany for operational reasons resulting in a 50% reduction in military transit traffic through the airport.

Shannon's costs per passenger are double those of Dublin Airport, two-thirds higher than those of Cork, and significantly out of line with competing airports overseas and at Kerry and Knock. The restructuring proposals, formulated by management at Shannon Airport and supported by the DAA, seek voluntary acceptance by the employees at Shannon to working arrangements that have long been in place at Dublin and Cork.

Shannon continues to face many complex business challenges. It is welcome therefore that agreement was reached recently with regard to the major restructuring programme required to secure the airport's long-term viability on a solid and sustainable platform. The DAA also welcomes the recent ballot by staff in support of this agreement and which represents the next significant step in Shannon's regeneration process.

Cork Airport

Last year saw the opening of the new passenger terminal at Cork airport. This event represented the completion of a €180m capital investment programme in facilities at the airport which include the provision of new or upgraded facilities to include aircraft parking, road infrastructure, long and short-term car parking, a new energy centre, fire station, utilities, and multi-storey car park. The transition from the old terminal to the new was accomplished during the busy summer period and without disruption to the airport's operations.

A memorable year for Cork Airport was completed on New Year's Eve when, for the first time, three million passengers travelled through the Airport in any one year. Passenger numbers overall rose by just over 10% through 2006 to 3.01m, another record performance. Continued strong growth on European and domestic services served to compensate for some slippage on traffic to London and the UK generally.

In growth terms, the domestic market outperformed all other sectors with a 73.5% increase in passenger numbers to just over 413,000. On the key Cork-Dublin route, Ryanair's entry to the market led to a surge in passenger numbers, though Aer Arann with seven weekday return flights carried approximately one third of traffic on the route.

European scheduled services were also buoyant with numbers more than 38% higher at 674,000 passengers. By the end of the year, Aer Lingus had carried well over 80% of this traffic supported by the launch of new routes to Germany, the Czech Republic, Spain and the Canary Islands. The trend of scheduled airlines to establish new routes to holiday destinations continued to impact on sun charter traffic, which fell by nearly 11% during 2006.

One third of all Cork Airport's passengers last year connected to the three London airports of Heathrow, Gatwick and Stansted. EasyJet ceased operations in September following a short but intensive competitive battle with Ryanair that contributed to a decline of 1% on overall London volumes.

Retail

Airport retailing is one of the DAA's core business activities both in Ireland and overseas. Across the Company's three Irish airports it delivers a high quality service for an increasingly sophisticated travelling public. Retailing also contributes a significant proportion of the commercial revenues that support the funding of the DAA's operational and capital costs across the three Irish airports.

Total retail, food and beverage sales at the three airports, including concessionaires, rose by 13% to €252m during 2006. One of the highlights of the year was the commissioning and opening of the retail and catering facilities at Cork Airport's new passenger terminal and these have been trading very well since.

At Dublin Airport, the current constrained nature of the terminal building limits the potential for growing the range of retail and catering options on offer to passengers. In this context, the upgrading of the Travel Value shopping areas at Piers A and B and the opening of a new electronics outlet, have proved very successful, while new bagel bar concessions have broadened the catering product mix, both landside and airside.

ARI

Aer Rianta International (ARI), the DAA's wholly-owned subsidiary company that manages airport retail operations overseas and that holds minority shareholdings in a small number of European airports, had another successful year. The profit contribution from ARI's combined interests, including the exceptional profit on the disposal of Hamburg Airport, increased by 12% last year to €19.5m.

This performance also reflected another strong performance by ARI's retail operations, though due to the extent of their traffic to and from the US, the company's Canadian outlets were impacted by the new security regulations governing liquids.

During the year, ARI extended its airport equity holdings and retail franchises to Cyprus and to Barbados in the Caribbean.

ARIME, an associate company in which ARI holds a 50% interest, owns an 11% shareholding in the Hermes Airport Consortium, which was awarded a twenty-five year "Build, Operate and Transfer" contract by the Cypriot government for new airports at Larnaca and Paphos. ARIME, with its existing joint venture partner in the Middle East, subsequently won the retail and food and beverage concessions for both airports.

Another ARI joint venture with Caribbean International Airways, a State-owned Barbadian company, was awarded the contract to manage a number of duty-free concessions at Grantley Adams International Airport in Barbados.

GSH

During the year the Group disposed of its eight "Great Southern" hotels by public tender for proceeds of €272m. It also disposed of its minority shareholding of City of Derry Hotel Limited. By 31 December 2006, all staff in the hotel group had ceased employment, with all eligible employees having either transferred their employment pursuant to the sale arrangements or opted for a voluntary severance programme.

Turnover for the GSH group for the nine months for which they traded under DAA ownership was €35m and a loss of €4.7m was incurred for the year.

Finally, I would like to thank my colleagues on the Board of the DAA for their expertise and commitment over the past year and to our chairman, Gary McGann, for his continued invaluable support and advice.

I also want to express my gratitude to the management of the Company and to all my fellow employees throughout the DAA for their professionalism and resourcefulness as they face the daily challenges of a very busy working environment and the longer-term challenges of a Company in transition, striving to deliver ambitious objectives for all its stakeholders.

Declan Collier
Chief Executive

16 April 2007

Pier D

The new Pier D at Dublin Airport will have 12 boarding gates and will provide extra comfort and space for up to 10 million passengers a year as they board and disembark their aircraft.

T2 review

How T2 will look from the T1 arrivals road

Following the Government decision of May 2005 that the DAA should build T2 on its own property and the subsequent appointment of a world-class team of programme managers, architects and cost consultants, the consultation and design process for the new terminal started in January 2006.

This team worked to a blueprint already set down by three separate, comprehensive airport planning studies as to the type of terminal and airfield facilities Dublin Airport required as it grew towards annualised passenger volumes of 35m per year and the optimal site for location of the terminal. These planning blueprints established that T2 should be a mixed mode terminal capable of handling long-haul and short-haul passenger and aircraft traffic and that it should be built to the south of the existing terminal building.

The consultation process with airlines and other key stakeholders that took place during the first half of 2006 was the most extensive ever carried out by the company. Several functional and design options were considered and debated both internally and with a wide range of external stakeholders before a final design for the landmark new building was selected.

In the final design for T2, the design team delivered an elegant cost effective solution to the current capacity problems at Dublin Airport. The new terminal will be capable of handling up to 15 million passengers per year and will give Dublin Airport a decade of headroom in passenger capacity terms.

T2 is a contemporary curvilinear building designed to meet customers' needs and utilising cost-effective building materials, procurement and construction techniques.

The internal architecture of T2 comprises a series of simple, elegant, well-lit spaces connected by clear passenger routes. There will be a generous use of daylight throughout T2 and the ease with which passengers will be able to move through the building was one of the key design drivers for the project team.

T2 has three passenger levels and will sit astride the access road to the existing passenger terminal at Dublin Airport. When completed, each terminal will have a dedicated, separate access road, thus optimising the internal airport road network and ensuring greater ease of access for passengers and vehicles.

The check-in hall and the main passenger processing area are on opposite sides of the T1 access road, but are connected by a bridge that forms a key design element of T2.

The bridge connecting the two parts of the terminal is at the heart of T2 and is part of a central spine that uses daylight and other physical signals to draw departing passengers through the new terminal. The departures route flows along this bridge as passengers are offered a graceful journey upwards towards larger, light-filled spaces.

Arriving passengers are offered a straightforward journey from gate to landside that passes through the centre of the new terminal.

We have designed with the future in mind as the check-in hall will accommodate self-service kiosks and bag tag and drop positions as well as traditional check-in desks that remain common for long haul traffic. The security screening area has also been designed with a significant degree of flexibility so that it can be expanded and upgraded to allow for possible future changes in security procedures.

A special feature of T2 will be a new customs clearance facility for all departing passengers to the US. While Dublin and Shannon Airports already provide immigration clearance for US-bound passengers, pre-clearance of US customs at departures will be unique in Europe to Dublin and Shannon Airports and will allow passengers simply collect their luggage when the arrive in the US and immediately begin their onward journey.

Although T2 is a curved building it has been designed so that it can be constructed from a series of flat, modularised panels, which will speed construction and keep our costs down. This should also enable us to use off-site construction methods where possible and limit the amount of work that needs to be undertaken at height.

Construction work on T2 is due to begin in the summer of 2007 subject to the planning process and the 75,000 sq metre terminal and 24,000 sq metre Pier E boarding gate building are scheduled for delivery before the end of 2009. The T2 programme also includes major apron works, a campus roads upgrade and significant improvements in utilities infrastructure throughout Dublin Airport.

It could be argued that the curved nature of T2 harks back to the curved lines of Dublin Airport's original 1940s terminal building. It became an icon for Irish air travel in the 20th century and we hope that T2 will hold a similar position in the 21st century.

Financial review

Group Financial Highlights	2006	2005	2004
Passengers			
Total ('000)	**27,846**	24,483	21,788
Growth (%)	**14%**	12%	7%
Profitability (€'m)			
Turnover	**591**	525	466
Growth (%)	**13%**	13%	7%
Group EBITDA[1]	**145**	111	90
Growth (%)	**31%**	23%	24%
Group profit after tax excluding exceptionals	**69.5**	50.1	28.9
Group profit after tax for the year	**166.0**	50.1	30.8
Cash Flow (€'m)			
Cash flow from operating activities	**148**	121	98
Cash flow for the year before financing	**244**	3	(6)
Balance Sheet (€'m)			
Gross assets[2]	**1,398**	1,144	1,057
Shareholders' funds	**631**	478	424
Gross debt	**511**	473	469
Cash	**375**	93	85
Net borrowings	**136**	380	384
Capital Expenditure (€'m)			
Capital expenditure additions	**148**	110	84
Key Ratios			
Group EBITDA : Net interest charge[3]	**8.0x**	5.6x	4.1x
Net borrowings : Group EBITDA	**0.9x**	3.4x	4.3x
Group EBITDA : Turnover	**25%**	21%	19%
Return on average equity[4] pre exceptionals	**12.6%**	11.1%	7.0%

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 excluding exceptional items (post-tax) as a percentage of average shareholders' funds.

Financial review continued

Profitability

Group profit for the financial year was €166 million (post-tax), compared with €50 million in 2005. Excluding net exceptional items of €96.5 million, the after tax profit for the Group was €69.5m in 2006. Group EBITDA for the year increased by €34 million (+31%) to €145 million.

- **Passenger volume and growth**
  Passenger numbers at the three airports of 27.8 million increased by 13.7%. Accounting for 44% of this total, Europe and the Middle East has overtaken the UK to become the largest geographic passenger market. Dublin Airport increased passenger throughput by over 2.7 million passengers (+14.9%) to 21.2 million. Shannon increased by 10.2% to 3.6 million passengers in 2006. Cork also experienced growth and passenger numbers grew by 10.3% overall to 3.0 million.
- **Turnover**
  Group turnover was €591 million, an increase of €66 million or 12.5% on the previous year. Some €383 million of this came from continuing commercial activities (excluding hotels) both overseas and at the three airports, an increase of €39m (+11%), while turnover from aeronautical activities increased by €35 million (+25%).
- **Operating costs**
  Total Group operating costs (excluding cost of sales, depreciation and amortisation) increased by €16 million (+6%) to €297 million. Group payroll costs increased by €6.8 million or 4%. Airport staff number increases (+7%) were mainly attributable to airport security staff. Group non-payroll costs (excluding cost of sales, depreciation and amortisation) increased by €9.6 million or 9%.
- **Exceptional items**
  As set out in Note 5, the Group has disposed of its hotel business, formerly known as Great Southern Hotels ("GSH"), and its interest in Hamburg Airport; it has also concluded a restructuring agreement at Shannon airport. Net exceptional items (after attributable tax) amounted to €96.5 million.
- **Depreciation and amortisation**
  Depreciation and amortisation increased by €13.3 million to €60.2 million reflecting both increased capital expenditure (including the commissioning of the new terminal at Cork) and accelerated depreciation on certain assets.
- **Associates & joint ventures**
  The Group's total share of operating profits (before interest and taxation) from associates and joint ventures increased by €1.4 million to €31.4 million.
- **Interest**
  Group net interest charge (excluding associates/joint ventures) decreased by €1.4 million (7%) to €18.2 million primarily due to a lower net debt following disposals. The Group's share of net interest cost of associates and joint ventures decreased by €0.4 million to €10.8 million.
- **Taxation**
  Taxation charge increased by €23.8 million to €38.0 million. Of this increase, €19.2 million relates to tax attributable to exceptional items (net) with the balance reflecting the increase in taxable profits. The effective tax rate in 2006 was 19% (2005: 22%), which is above the Irish standard rate reflecting, in particular, higher tax rates applicable to the Group's international operations.

Total passenger numbers
(millions)

2006	27.8
2005	24.5
2004	21.8

Group Turnover
(€ millions)

2006	591
2005	525
2004	466

Group EBITDA
(€ millions)

2006	145
2005	111
2004	90

Cash flow from operating activities

(€ millions)

2006	148
2005	121
2004	98

Net debt

(€ millions)

2006	136
2005	380
2004	384

Cash flow & funding

Net cash inflow from operating activities was €148 million (2005: €121 million). Group net debt decreased to €136 million, down €244 million on 2005 levels. Cash was €375 million at year-end (2005: €93 million). Net proceeds from disposal of hotels and sale of financial assets amounted to €265 million.

Group interest cover was 8.0 times (2005: 5.6 times) based on Group EBITDA divided by the Group net interest charge. Net debt reduced to 0.9 times Group EBITDA (2005: 3.4 times).

Balance sheet

Gearing (measured by expressing net debt as a percentage of the aggregate of net debt and ordinary shareholders' funds) was 18% at the year-end (2005: 44%). Shareholders' funds increased to €631 million (2005: €478 million).

Gross assets were €1.4 billion (2005: €1.1 billion). Fixed and financial assets were €949 million (2005: €986 million).

Company accumulated profit and loss account, the basis for determining company distributable reserves, increased by €151 million to €293 million at 31 December 2006.

Financial review continued

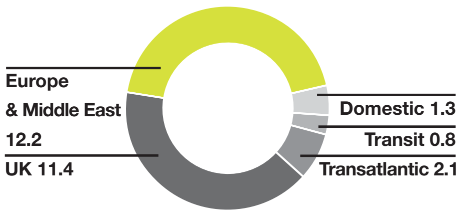
Treasury

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 36% of the Group's borrowings at the end of 2006 were due to mature in more than five years. Undrawn committed facilities were €42 million at the year-end. At the year-end the Group had capital commitments (both contracted and uncontracted) of €232 million. Liquidity at the same date was €417 million, comprising cash of €375 million and undrawn committed borrowing facilities of €42 million.
– **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. At the end of 2006, 96% of the Group's borrowings were at fixed rates at an average rate of 5.4%.
– **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 it does 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 2006
(millions)



Directors’ report and consolidated financial statements

Dublin Airport Authority plc 2006

Contents

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 2006.

Principal activities

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

Review of the business and future developments

Detailed commentaries on performance for the year ended 31 December 2006, including information on recent events, likely future developments, principal risks and uncertainties facing the business and key performance indicators, required in accordance with Statutory Instrument 116 of 2005: European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005, are contained in the Chairman's Statement, the Chief Executive's Review and Financial Review.

As set out below the financial results of the Group for the year show a profit for the financial year amounting to €166.0 million compared with €50.1 million for 2005.

	2006	2005
	€ million	€ million
Group operating profit	**85.0**	64.1
Share of operating profit of associates and joint venture	**31.4**	30.0
Group profit before interest and exceptional items	**116.4**	94.1
Group exceptional items	**115.6**	-
Group profit before interest	**232.0**	94.1
Interest (net)[1] – Group, associates and joint venture	**(28.2)**	(30.2)
Group profit before taxation	**203.8**	63.9
Tax – Group, associates and joint venture	**(37.9)**	(14.2)
Group profit after taxation	**165.9**	49.7
Minority interest	**0.1**	0.4
Group profit for the financial year	**166.0**	50.1

[1] Includes income from other financial assets

No dividends have been paid or proposed in respect of 2006.

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

In 2006, the Group recorded net exceptional gains of €115.6 million (pre-tax) (Note 5). These are primarily attributable to a gain on disposal of the business and assets of the eight hotels formerly known as Great Southern Hotels Group, and a charge in respect of a restructuring programme in Shannon airport.

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 Shannon and Cork Airport Authorities.

This matter is referred to further in the Chairman’s Statement and Chief Executive’s Review.

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 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.

The board and committees

The Group is headed by a Board, which comprises eight 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 the other directors being present, at least once a year.

Report of the directors continued

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.

A scheduled meeting of the Board is usually held each month, except January and 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.

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

Director	Attendance	Director	Attendance
Mr. Gary McGann	12/13	Sir Michael Hodgkinson	9/13
Mr. Declan Collier	13/13	Ms. Marion Keating	12/13
Mr. Colm Barrington	10/13	Mr. Brian Lynch	13/13
Mr. Bill Cullen	11/13	Mr. Barry Nevin	11/13
Mr. Des Cummins	13/13	Ms. Marie O'Connor	13/13
Ms. Mary Davis	8/13	Mr. Anthony Spollen	10/13
Mr. Pat Fitzgerald	11/13		

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.

All directors, including 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.

Report of the directors continued

Performance evaluation

The Board has formally evaluated Board and Committee performance in line with the requirements of the 2003 Combined Code.

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.

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 five meetings of the Company's Audit Committee and three meetings of the Remuneration and Appointments Committee in the year. Details of attendance by individual directors at these meetings are as follows:

Audit committee		**Remuneration and appointments committee**	
Director	**Attendance**	**Director**	**Attendance**
Mr. Anthony Spollen	5/5	Mr. Gary McGann	3/3
Mr. Des Cummins	5/5	Mr. Colm Barrington	3/3
Ms. Mary Davis	3/5	Ms. Marie O'Connor	3/3

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 and Market Development Committee, the Health, Safety & Aviation Security Committee and the Sealing 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.

Members of the Board may hold directorships of third party companies, some of which (or their affiliates) may, in the normal course of business, undertake transactions on an arm's length basis with the Group. Disclosure is provided as required of related party transactions and where the director holds a material interest in the relevant entity. It is the practice, in accordance with the provisions of Section 34 of the Air Navigation and Transport (Amendment) Act, 1998 and the Code of Practice for the Governance of State Bodies, that all directors disclose any required interest and absent themselves from Board discussions where they have a direct or indirect interest. In accordance with company law, details of directorships held by members of the Board are filed in the Companies Office.

Directors' remuneration
Fees for directors are determined by the Minister 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 7 to the financial statements in accordance with the requirements of the Companies Acts, 1963 to 2006.

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.

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 ongoing 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.

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 2006 and the Department of Finance. However, these disclosures do not extend to those contained in the 2003 Combined Code.

Companies (Auditing and Accounting) Act, 2003

The directors note that the sections of the Companies (Auditing and Accounting) Act, 2003, as amended, dealing with Directors Compliance Statements have not yet become effective.

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 take the necessary action to ensure compliance with the Act.

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

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

16 April 2007

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 2006. 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 2006.

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

16 April 2007

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 2006 on pages 37 to 76. 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 34.

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 2006. 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 32 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, T2 review, financial review, 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 judgments 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 2006 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 2006.

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 2006 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
1 Stokes Place
St. Stephen's Green
Dublin 2

16 April 2007

Statement of accounting policies

for the year ended 31 December 2006

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

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 2006.

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

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

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

Financial assets

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

Turnover

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

Foreign currency

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

Where applicable, the Group's net investment in overseas subsidiaries, associates and joint ventures is translated at the rate ruling at the balance sheet date. The results of overseas subsidiaries, associates and joint ventures are, where applicable, included at the average rate of exchange. The resulting translation differences are taken to reserves 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	10 - 50 years
Hotel buildings	10 - 150 years

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

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

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.

Negative goodwill arising prior to the introduction of FRS 10 “Goodwill and Intangible Assets” in 1998 previously credited directly to revenue reserves, is transferred to the profit and loss account on the sale of the related business (see Note 5).

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 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. 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.

No deferred tax had been provided, as permitted by FRS 19, on gains arising from the revaluation of hotel properties, all of which were disposed of during the year.

Statement of accounting policies

continued

for the year ended 31 December 2006

Pension and other post-retirement obligations

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

For schemes accounted for as defined contribution, 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 2006

	Note	2006 €000	2006 €000	2005 €000	2005 €000
Turnover: Group and share of joint venture			**591,162**		525,550
Less: share of joint venture turnover			**(576)**		(568)
Group turnover					
Continuing operations	*1*	**555,250**		481,398	
Discontinued operations	*1*	**35,336**		43,584	
			590,586		524,982
Operating costs					
Cost of goods for resale			**(148,759)**		(133,805)
Payroll and related costs	*3*		**(181,600)**		(174,756)
Materials and services			**(114,999)**		(105,429)
Depreciation and amortisation			**(60,225)**		(46,922)
			(505,583)		(460,912)
Group operating profit/(loss)					
Continuing operations	*2*	**89,353**		66,977	
Discontinued operations	*2*	**(4,350)**		(2,907)	
			85,003		64,070
Share of operating profits					
Joint venture undertaking			**485**		481
Associated undertakings	*4*		**30,865**		29,519
Group profit before interest and exceptional items			**116,353**		94,070
Exceptional items					
Profit on sale of discontinued operations	*5*		**148,929**		-
Profit on disposal of financial asset	*5*		**2,709**		-
Costs of fundamental restructuring - continuing operations	*5*		**(36,000)**		-
Group profit before interest			**231,991**		94,070
Income from other financial assets			**825**		739
Interest receivable					
Group			**6,036**		1,568
Joint venture undertaking			**4**		8
Associated undertakings			**1,423**		1,345
Interest payable and similar charges					
Group	*6*		**(24,257)**		(21,223)
Joint venture undertaking	*6*		**(663)**		(655)
Associated undertakings	*6*		**(11,524)**		(11,902)
Group profit on ordinary activities before taxation	*7*		**203,835**		63,950
Tax on profit on ordinary activities	*8*		**(37,978)**		(14,213)
Group profit on ordinary activities after taxation			**165,857**		49,737
Minority interest	*30*		**105**		349
Group profit for the financial year	*22*		**165,962**		50,086

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

16 April 2007

Statement of total recognised gains and losses

for the year ended 31 December 2006

	Note	2006 €000	2005 €000
Group profit for the financial year		**165,962**	50,086
Exchange differences on translation of overseas investments (arising on net assets)			
- Subsidiary undertakings		**(1,407)**	2,221
- Associated undertakings		**(955)**	3,524
Actuarial gain/(loss) recognised in the pension schemes			
- Group	*21*	**2,550**	(1,217)
- Associated undertakings		**2,683**	(1,350)
Deferred tax (charge)/credit thereon			
- Group		**(319)**	152
- Associated undertakings		**(805)**	404
Total recognised gains and losses for the year		**167,709**	53,820

Reconciliation of movement in shareholders' funds

for the year ended 31 December 2006

	Note	2006 €000	2005 €000
At 1 January		**477,712**	423,892
Total recognised gains and losses for the year		**167,709**	53,820
Transfer of negative goodwill previously credited directly to reserves on acquisition (which is included in total recognised gains and losses)	*5*	**(14,056)**	-
At 31 December		**631,365**	477,712

Group balance sheet

at 31 December 2006

	Note	2006 €000	2006 €000	2005 €000	2005 €000
Fixed assets					
Tangible assets	*10*		**793,447**		809,082
Intangible assets	*11*		**4,100**		5,476
			797,547		814,558
Financial assets					
Investments in joint venture undertaking					
- Share of gross assets		**19,926**		20,064	
- Share of gross liabilities		**(21,435)**		(21,399)	
- Loans to joint venture undertaking		**4,882**		4,882	
Total investment in joint venture undertaking			**3,373**		3,547
Investment in associated undertakings			**148,194**		140,934
Other financial assets			**-**		27,063
Total financial assets	*12*		**151,567**		171,544
Total fixed assets			**949,114**		986,102
Current assets					
Stocks	*13*	**23,802**		24,094	
Debtors	*14*	**50,045**		40,839	
Cash at bank and in hand	*26*	**374,961**		92,708	
		448,808		157,641	
Creditors: amounts falling due within one year	*15*	**(209,863)**		(176,061)	
Net current assets/(liabilities)			**238,945**		(18,420)
Total assets less current liabilities			**1,188,059**		967,682
Creditors: amounts falling due after more than one year	*16*		**(498,731)**		(457,354)
Capital grants	*18*		**(19,380)**		(24,558)
Provisions for liabilities and charges	*19*		**(37,677)**		(5,129)
Net assets excluding net pension liability			**632,271**		480,641
Net pension liability	*21*		**(2,331)**		(4,116)
Net assets			**629,940**		476,525
Capital and reserves					
Called up share capital	*20*		**186,337**		186,337
Profit and loss account	*22*		**442,235**		286,131
Other reserves	*22*		**2,793**		5,244
Shareholders' funds			**631,365**		477,712
Minority interest	*30*		**(1,425)**		(1,187)
			629,940		476,525

On behalf of the Board

Gary McGann
Chairman

Anthony Spollen
Director

16 April 2007

Company balance sheet

at 31 December 2006

	Note	2006 €000	2005 €000
Fixed assets			
Tangible assets	*10*	**779,927**	692,096
Financial assets	*12*	**127,946**	133,487
		907,873	825,583
Current assets			
Stocks	*13*	**13,627**	11,705
Debtors	*14*	**44,132**	66,229
Cash at bank and in hand		**330,513**	81,008
		388,272	158,942
Creditors: amounts falling due within one year	*15*	**(255,662)**	(169,084)
Net current assets/(liabilities)		**132,610**	(10,142)
Total assets less current liabilities		**1,040,483**	815,441
Creditors: amounts falling due after more than one year	*16*	**(502,879)**	(457,661)
Capital grants	*18*	**(19,380)**	(24,480)
Provisions for liabilities and charges	*19*	**(36,901)**	(3,043)
Net assets excluding net pension liability		**481,323**	330,257
Net pension liability	*21*	**(2,331)**	(2,033)
Net assets		**478,992**	328,224
Capital and reserves			
Called up share capital	*20*	**186,337**	186,337
Profit and loss account	*22*	**292,655**	141,887
Shareholders' funds		**478,992**	328,224

On behalf of the Board

Gary McGann
Chairman

Anthony Spollen
Director

16 April 2007

Group cash flow statement

for the year ended 31 December 2006

	Note	2006 €000	2005 €000
Cash inflow from operating activities	*23*	**148,183**	121,044
Dividends received from associated undertakings	*12*	**8,648**	8,449
Returns on investments and servicing of finance	*24*	**(22,514)**	(22,693)
Taxation paid		**(21,505)**	(4,437)
		112,812	102,363
Capital expenditure and financial investment	*24*	**(133,722)**	(97,970)
Acquisitions and disposals	*24*	**264,595**	(918)
Cash inflow before management of liquid resources and financing		**243,685**	3,475
Management of liquid resources			
Net cash transferred to liquid resources	*26*	**(237,209)**	(22,706)
Financing	*24*	**37,997**	2,742
Increase/(decrease) in cash in year	*26*	**44,473**	(16,489)

Notes on and forming part of the financial statements

for the year ended 31 December 2006

1 Turnover

	2006			2005		
	Continuing Operations	**Discontinued Operations**	**Total**	Continuing Operations	Discontinued Operations	Total
	€000	**€000**	**€000**	€000	€000	€000
Ireland						
Aeronautical revenue	**171,815**	**-**	**171,815**	137,203	-	137,203
Commercial activities	**293,998**	**-**	**293,998**	271,463	-	271,463
Hotels	**-**	**35,336**	**35,336**	-	43,584	43,584
Total Ireland	**465,813**	**35,336**	**501,149**	408,666	43,584	452,250
Overseas - commercial activities	**89,437**	**-**	**89,437**	72,732	-	72,732
	555,250	**35,336**	**590,586**	481,398	43,584	524,982

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 Components of group operating profit

	2006			2005		
	Continuing Operations	**Discontinued Operations**	**Total**	Continuing Operations	Discontinued Operations	Total
	€000	**€000**	**€000**	€000	€000	€000
Turnover	**555,250**	**35,336**	**590,586**	481,398	43,584	524,982
Cost of sales	**(143,652)**	**(5,107)**	**(148,759)**	(127,289)	(6,516)	(133,805)
Payroll and related costs	**(163,799)**	**(17,801)**	**(181,600)**	(153,846)	(20,910)	(174,756)
Materials and services	**(101,845)**	**(13,154)**	**(114,999)**	(90,898)	(14,531)	(105,429)
Depreciation	**(56,601)**	**(3,624)**	**(60,225)**	(42,388)	(4,534)	(46,922)
Group operating profit/(loss)	**89,353**	**(4,350)**	**85,003**	66,977	(2,907)	64,070

3 Payroll and related costs

	Group	
	2006	2005
	€000	€000
Wages and salaries	**158,873**	145,993
Social welfare costs	**15,061**	13,871
Pension costs (Note 21)	**7,369**	6,434
Other staff costs	**2,002**	9,492
	183,305	175,790
Staff costs capitalised into fixed assets	**(1,705)**	(1,034)
Net staff costs	**181,600**	174,756

Average employee figures (full time equivalents) were as follows:	**2006**	2005
Airports	**2,667**	2,499
Hotels	**511**	652
International activities	**479**	469
	3,657	3,620

4 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.

5 Exceptional items

a) Profit on sale of discontinued operations

During the year the Group disposed of its hotel business, formerly known as Great Southern Hotels. The business and assets of each of its eight hotels were disposed of by public tender and the Group's minority stake in the City of Derry Hotel Limited, an associated undertaking, was also sold. All hotel staff have ceased employment with the group, with all eligible employees either transferring their employment pursuant to the sale arrangements or opting for a voluntary severance programme.

The net assets disposed of were as follows:	**2006** **€000**
Tangible fixed assets	**98,425**
Stock	**462**
Debtors	**485**
Creditors	**(349)**
Share of liability of associated undertaking (Note 12 (c))	**(774)**
Total of net assets disposed of	**98,249**

The profit on sale of discontinued operations was calculated as follows:

Consideration received	**272,000**
Employee severance and transfer costs	**(29,485)**
Disposal costs	**(9,393)**
Total of net assets disposed of	**(98,249)**
Transfer of negative goodwill to profit and loss account (see below)	**14,056**
Profit on sale of discontinued operations	**148,929**

In line with the Group's accounting policies negative goodwill of €14.056 million, previously credited directly to revenue reserves on the original acquisition of Great Southern Hotels, has been transferred to the profit and loss account on the sale of the related assets.

The impact of the disposal on the tax charge for the year was €23.7 million of which €10.1 million is classified as capital gains tax (Note 8).

b) Profit on disposal of financial asset

A profit of €2.709 million arose on disposal of the Group's interest in Hamburg Airport. The capital gains tax arising on this disposal was €0.026 million (Note 8).

5 Exceptional items (continued)

c) Costs of fundamental restructuring - continuing operations

In response to significant challenges in the business environment, including Open Skies and growing competition, a strategic review of operations at Shannon Airport has been conducted. Fundamental changes are required and, following consultation with staff and trade unions during 2006 which was finalised in early 2007, a number of change programmes have been agreed. These include changes in structures and work practices, the outsourcing of some business activities and a voluntary severance scheme in certain areas. Implementation of these programmes will commence during 2007 and is expected to be completed during 2008. The estimated cost of the restructuring programme is €36.0 million (before tax) which has been charged to the profit and loss account in the current year. The impact on the taxation charge was to reduce the tax charge for the year by €4.5 million.

6 Interest payable

	Group	
	2006	2005
	€000	€000
Group:		
Interest payable on loans wholly repayable by instalments within five years	**1,876**	2,498
Interest payable on loans wholly repayable by instalments after five years	**9,870**	7,103
Interest on loan notes	**15,375**	15,375
Amortisation of issue costs	**147**	137
Other interest payable	**2**	2
Finance lease	**5**	-
	27,275	25,115
Interest capitalised	**(3,018)**	(3,892)
Total interest payable - Group	**24,257**	21,223
Joint venture undertaking:		
Interest on loans repayable by instalments within five years	**663**	655
Associated undertakings:		
Interest payable on loans repayable by instalments within five years	**2,098**	1,954
Interest payable on loans repayable by instalments after five years	**9,623**	9,908
Finance lease interest	**3**	7
Other finance costs	**-**	299
Interest capitalised	**(200)**	(266)
Total interest payable – associated undertakings	**11,524**	11,902

7 Statutory and other information

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

	2006 €000	2005 €000
Auditors' remuneration (including expenses):		
- for audit services	**399**	391
- for other services	**638**	398
	1,037	789
Operating lease rentals		
- equipment	**982**	852
- buildings	**7,626**	7,631
Depreciation	**63,934**	44,307
Impairment, write-offs and loss/profit on disposal of tangible fixed assets (excluding hotel assets)	**344**	3,269
Amortisation of capital grants	**(5,178)**	(1,699)
Amortisation of intangible assets and goodwill:		
- Group (Note 11)	**895**	847
- Associated undertakings (Note 12)	**230**	98
	1,125	945
Directors' remuneration:		
- fees	**227**	159
- other emoluments (including pension contribution)	**671**	396
	898	555

The remuneration of the Chief Executive, disclosed in accordance with the applicable government department guidelines relating to the remuneration arrangements for chief executives of commercial state bodies, is provided below. The remuneration in 2005 is in respect of the period from 4 April 2005 (date of appointment) to 31 December 2005.

Fees	**17**	9
Basic salary	**315**	220
Performance related remuneration paid in year	**178**	-
Pension contributions and other taxable benefits	**178**	102
	688	331

8 Tax on profit on ordinary activities

	2006 €000	2005 €000
Current tax:		
Corporation tax - Ireland	**21,945**	2,944
Overseas corporation tax of subsidiary undertakings	**2,893**	1,555
Capital gains tax – Ireland	**10,134**	6
Overseas capital gains tax of subsidiary undertaking	**26**	-
Under provision in respect of prior periods	**88**	582
Tax attributable to Group	**35,086**	5,087
Share of overseas tax of associated undertakings	**6,354**	7,576
Share of Irish tax of associated undertakings	**158**	109
Tax attributable to associated undertakings	**6,512**	7,685
Current tax charge	**41,598**	12,772
Deferred tax:		
Origination of timing differences		
- Attributable to Group (Note 19)	**(2,641)**	1,475
- Adjustment in respect of prior years (Note 19)	**(811)**	-
- Timing differences relating to FRS 17 pension liabilities	**(168)**	(34)
Deferred tax (credit)/charge	**(3,620)**	1,441
Tax on profit on ordinary activities	**37,978**	14,213

The Group's Irish operations are subject to differing rates of corporation taxation, according to, inter alia, the nature of activities. During 2006 and 2005 these rates varied from 12.5% to 25% while the standard rate of corporation taxation was 12.5%.

The total tax charge (net of deferred tax) arising on the disposal of hotel assets (Note 5) amounted to €23.7 million.

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:

	2006 €000	2005 €000
Profit on ordinary activities before taxation	**203,835**	63,950
Profit on ordinary activities at standard corporation tax rate in Republic of Ireland of 12.5% (2005: 12.5%)	**25,479**	7,994
Effects of:		
Differences between capital allowances for period and depreciation	**6,096**	(1,735)
Expenses deductible for tax purposes (timing differences)	**1,637**	(386)
Expenses not deductible for tax purposes (permanent differences)	**1,267**	602
Profits of foreign undertakings taxable at higher rates	**5,078**	6,112
Irish profits taxable at higher rates	**3,126**	99
Losses utilised	**(826)**	(147)
Under provision in respect of prior periods	**88**	582
Other	**(347)**	(349)
Current tax charge for the year	**41,598**	12,772

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 €150.6 million (2005: €47.2 million) has been dealt with in the financial statements of the Company.

10 Tangible fixed assets

Group	Terminal complexes	Lands & airfields	Plant & equipment	Hotel buildings	Other property	Assets in the course of construction	Total
Cost or valuation	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
At 1 January 2006							
Cost	292,723	190,431	248,848	63,148	164,669	176,202	1,136,021
Valuation	-	-	-	38,980	-	-	38,980
Total	292,723	190,431	248,848	102,128	164,669	176,202	1,175,001
Additions	441	-	5,555	-	376	142,104	148,476
Transfer to completed assets	92,181	7,287	68,552	119	26,215	(194,354)	-
Disposals	-	(264)	(35,248)	(102,247)	(10)	-	(137,769)
Write-offs	(37)	(668)	(2,124)	-	(1,006)	-	(3,835)
Translation reserve	-	-	(1,245)	-	-	-	(1,245)
At 31 December 2006	**385,308**	**196,786**	**284,338**	**-**	**190,244**	**123,952**	**1,180,628**
Depreciation							
At 1 January 2006	81,080	60,474	151,939	7,464	64,962	-	365,919
Charge for the year	25,773	6,211	23,242	1,880	6,828	-	63,934
Disposals	-	-	(29,541)	(9,344)	(2)	-	(38,887)
Write-offs	(37)	(622)	(1,845)	-	(791)	-	(3,295)
Translation reserve	-	-	(490)	-	-	-	(490)
At 31 December 2006	**106,816**	**66,063**	**143,305**	**-**	**70,997**	**-**	**387,181**
Net book value							
2006	**278,492**	**130,723**	**141,033**	**-**	**119,247**	**123,952**	**793,447**
2005	211,643	129,957	96,909	94,664	99,707	176,202	809,082

10 Tangible fixed assets (continued)

Company	Terminal complexes	Lands & airfields	Plant & equipment	Other property	Assets in the course of construction	Total
Cost	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
At 1 January 2006	292,723	183,545	202,123	158,643	176,083	1,013,117
Additions	441	-	4,034	376	142,104	146,955
Transfer to completed assets	92,181	7,287	68,552	26,215	(194,235)	-
Disposals	-	(264)	(442)	(10)	-	(716)
Write-offs	(37)	(668)	(2,124)	(1,006)	-	(3,835)
At 31 December 2006	**385,308**	**189,900**	**272,143**	**184,218**	**123,952**	**1,155,521**
Depreciation						
At 1 January 2006	81,080	60,474	118,477	60,990	-	321,021
Charge for the year	25,773	6,211	19,377	6,775	-	58,136
Disposals	-	-	(266)	(2)	-	(268)
Write-offs	(37)	(622)	(1,845)	(791)	-	(3,295)
At 31 December 2006	**106,816**	**66,063**	**135,743**	**66,972**	**-**	**375,594**
Net book value						
2006	**278,492**	**123,837**	**136,400**	**117,246**	**123,952**	**779,927**
2005	211,643	123,071	83,646	97,653	176,083	692,096

Lands and airfields include airport land at a cost of €19.3 million (2005: €19.6 million). Fixed asset additions include internal architectural and engineering costs of €1.7 million (2005: €1.0 million). Fixed assets include cumulative interest capitalised of €11.9 million (2005: €8.9 million). Interest of €3.0 million (2005: €3.9 million) was capitalised at an average rate of 5.3% (2005: 5.3%) per annum.

During the financial year hotel assets with a book value of €98.4 million were disposed of (see Note 5).

11 Intangible fixed assets

Group	Concession rights €000	Goodwill[a] €000	2006 Total €000	2005 Total €000
Cost				
At 1 January	18,579	526	**19,105**	16,174
Foreign exchange movement	(2,518)	-	**(2,518)**	2,931
At 31 December	**16,061**	**526**	**16,587**	19,105
Amortisation				
At 1 January	13,434	195	**13,629**	10,752
Charge for the year	842	53	**895**	847
Foreign exchange movement	(2,037)	-	**(2,037)**	2,030
At 31 December	**12,239**	**248**	**12,487**	13,629
Net book value	**3,822**	**278**	**4,100**	5,476

[a] Goodwill arose on the acquisition of shares in Kievrianta LLC in 2002.

12 Fixed assets – financial

Group	1 January 2006 €000	Additions/ other increases during year €000	Disposals/ other movements during year €000	31 December 2006 €000
Joint venture undertaking				
Share of gross assets	20,064	-	(138)	**19,926**
Share of gross liabilities	(21,399)	-	(36)	**(21,435)**
Loans to joint venture undertaking	4,882	-	-	**4,882**
	3,547	-	(174)[b]	**3,373**
Associated undertakings				
Equity interest at cost	92,119	-	(1,133)[c]	**90,986**
Goodwill	2,368	-	(230)	**2,138**
Loans to associated undertakings	1,349	83	(869)[c]	**563**
Share of post acquisition profits	89,475	16,236[a]	2,687[c]	**108,398**
Dividends paid	(47,778)	-	(8,648)	**(56,426)**
Translation reserve	3,401	-	(866)	**2,535**
	140,934	16,319	(9,059)	**148,194**
Other financial assets				
Other unlisted investments at cost	27,063	-	(27,063)[d]	-
Total financial assets	**171,544**	**16,319**	**(36,296)**	**151,567**
Company				
Ordinary shares in subsidiary undertakings at cost	25,030	-	(463)[e]	**24,567**
Subordinated loans to subsidiary undertakings	5,078	-	(5,078)	**-**
Other loans to subsidiary undertakings	97,934	-	-	**97,934**
Loan to associated undertaking	563	-	-	**563**
Loan to joint venture undertaking	4,882	-	-	**4,882**
	133,487	**-**	**(5,541)**	**127,946**

Notes:

(a) Additions during the year include €1.9 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.

(b) Included in joint venture undertaking is the share of losses for the year of €0.174 million.

(c) During the year the Group disposed of its investment in the City of Derry Hotel Limited (Note 5). The overall impact of this was an increase in financial assets of €0.774 million (including a translation reserves movement of €0.089 million – Note 22).

(d) During the year the Group disposed of its investment in Hamburg Airport (Note 5).

(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.

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
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
Derryquin Hotels Limited (formerly Great Southern Hotels Limited)	Dublin, Ireland	Formerly hotel operator	100
Associated undertakings			
Birmingham Airport Holdings Limited	Birmingham, England	Airport	24.125
Airport Partners GmbH [(1)]	Düsseldorf, 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
Rex Trading JSC	Moscow, Russia	Duty free shopping and related activities	19.9
Caribbean ARI Inc.	Bridgetown, Barbados	Duty free shopping and related activities	50
Joint venture undertaking			
Turckton Developments Limited	Dublin, Ireland	Business park development	50

12 Fixed assets - financial (continued)

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

All financial statements of subsidiary, associated and joint venture undertakings are coterminous 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 2006 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**	
	2006	2005	**2006**	2005
	€000	€000	**€000**	€000
Goods for resale	**21,899**	22,027	**11,724**	9,684
Maintenance	**1,903**	2,067	**1,903**	2,021
	23,802	24,094	**13,627**	11,705

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

14 Debtors

	Group		**Company**	
	2006	2005	**2006**	2005
	€000	€000	**€000**	€000
Trade debtors	**31,196**	31,081	**21,418**	21,959
Due from subsidiary undertakings	**-**	-	**8,785**	36,671
Due from associated undertakings	**2,659**	2,187	**-**	483
VAT	**4,144**	405	**3,885**	-
Corporation tax	**1,934**	21	**1,934**	-
Other debtors	**10,112**	7,145	**8,110**	7,116
	50,045	40,839	**44,132**	66,229

Debtors of €5.8 million (2005: €5.0 million) in the Group and debtors of €13.1 million (2005: €41.2 million) in the Company, fall due after more than one year.

15 Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	**2006**	2005
	€000	€000	**€000**	€000
Bank loans (Note 17)	**19,909**	23,353	**13,909**	16,371
Trade creditors	**20,359**	19,291	**10,701**	8,203
Due to subsidiary undertakings	**-**	-	**109,648**	42,179
Due to associated undertakings	**341**	-	**-**	-
Other creditors	**27,403**	11,890	**10,462**	10,649
Accruals and deferred income	**141,851**	121,527	**110,942**	91,682
	209,863	176,061	**255,662**	169,084
Tax included in other creditors:				
Corporation tax	**14,081**	726	**-**	432
Capital gains tax	**1,719**	6	**-**	6
PAYE	**4,308**	3,292	**3,360**	3,067
PRSI	**2,177**	2,082	**2,103**	1,874
VAT	**-**	1,997	**-**	1,512
Other taxes	**120**	470	**544**	440

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2006	2005	**2006**	2005
	€000	€000	**€000**	€000
Bank loans	**239,777**	198,337	**126,490**	75,399
Loan notes (Note 17)	**249,290**	249,143	**-**	-
Other creditors	**8,102**	8,263	**8,101**	8,262
Loan from minority interest to subsidiary undertakings	**1,562**	1,611	**-**	-
Due to subsidiary undertakings	-	-	**368,288**	374,000
	498,731	457,354	**502,879**	457,661

Other creditors of €5.5 million (2005: €6.1 million), Group and Company, fall due after more than five years.

17 Financial liabilities

	Group		Company	
	2006	2005	**2006**	2005
Repayable by instalments:	**€000**	€000	**€000**	€000
Repayable within one year	**19,909**	23,353	**13,909**	16,371
Repayable within one to two years	**19,608**	21,179	**13,283**	13,908
Repayable within two to five years	**40,451**	43,034	**17,899**	19,773
Repayable after five years	**181,280**	135,735	**95,308**	41,718
	261,248	223,301	**140,399**	91,770
Repayable other than by instalments:				
Repayable within two to five years	**249,290**	-	**-**	-
Repayable after five years	**-**	249,143	**-**	-
	510,538	472,444	**140,399**	91,770
Included in creditors falling due within one year	**19,909**	23,353	**13,909**	16,371
Included in creditors falling due after more than one year	**490,629**	449,091	**126,490**	75,399

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 2006 the undrawn committed facilities available in respect of which all conditions precedent had been met were as follows:

	2006
	€000
Expiring in one year or less	**11,970**
Expiring in more than one year but not more than two years	**8,923**
Expiring in more than two years but not more than five years	**21,385**
Total	**42,278**

18 Capital grants

	Group		Company	
	2006	2005	**2006**	2005
	€000	€000	**€000**	€000
At 1 January	**24,558**	26,257	**24,480**	26,179
Amortised to profit and loss account	**(5,178)**	(1,699)	**(5,100)**	(1,699)
At 31 December	**19,380**	24,558	**19,380**	24,480

19 Provisions for liabilities and charges

Group	Deferred tax €000	Restructuring (Note 5) €000	Total €000
At 1 January 2006	5,129	-	**5,129**
Charge for the year	-	36,000	**36,000**
Credit for the year	(2,641)	-	**(2,641)**
Adjustment in respect of prior years	(811)	-	**(811)**
At 31 December 2006	1,677	36,000	**37,677**
Company			
At 1 January 2006	3,043	-	**3,043**
Charge for the year	-	36,000	**36,000**
Credit for the year	(1,512)	-	**(1,512)**
Adjustment in respect of prior years	(630)	-	**(630)**
At 31 December 2006	901	36,000	**36,901**

	Group		Company	
Deferred tax	**2006 €000**	2005 €000	**2006 €000**	2005 €000
Comprising				
Timing differences on capital allowances	**3,653**	7,838	**3,647**	4,113
Tax losses carried forward	**-**	(1,820)	**-**	-
Amounts not deductible for corporation tax in the current year	**(1,976)**	(889)	**(2,746)**	(1,070)
	1,677	5,129	**901**	3,043

20 Called up share capital

	Group and Company	
	2006 €000	2005 €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.

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".

Dublin Airport Authority plc

1) 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 Irish Airlines (General Employees) Superannuation Scheme ("the IAS Scheme"). The IAS Scheme is accounted for as a defined contribution scheme under FRS 17.

   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 to identify its share of the underlying assets in the IAS Scheme and the consequential deficit or surplus that would pertain.

21 Pensions (continued)

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.

2) The parent company also operates certain other pension schemes, the most significant of which is the Aer Rianta Supplemental Superannuation Scheme ("the Supplemental Scheme"), a defined benefit scheme for certain categories of employees to provide retirement pension benefits supplementary to those payable under the IAS Scheme. The Supplemental Scheme is accounted for as a defined benefit scheme under FRS 17.

Derryquin Hotels Limited (formerly Great Southern Hotels Group)

As set out in Note 5, the Group disposed of its hotel business, the former Great Southern Hotels Group. Following the disposal of the hotel business, the company resolved to commence the winding-up of its defined benefit pension scheme ("the GSH Scheme") in respect of which no further provisions are required.

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.

The actuarial valuations of the IAS Scheme, the Supplemental Scheme and the GSH Scheme are available for inspection by members of the schemes and their dependants but not by the general public.

FRS 17 "Retirement Benefits" disclosures

The pension cost to the Group charged against operating profit under FRS 17 for the financial year amounted to €7.4 million (2005: €6.4 million).

	2006	2005
	€000	€000
Defined benefit schemes	**1,570**	1,162
Defined contribution schemes	**5,799**	5,272
	7,369	6,434

21 Pensions (continued)

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

	Group		**Company**	
	2006	2005	**2006**	2005
	€000	€000	**€000**	€000
Net pensions liability	**2,331**	4,116	**2,331**	2,033

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 2006 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.

The main financial assumptions, given on a combined basis used by the actuaries of the schemes were:

	As at 31/12/2006	At 31/12/2005	At 31/12/2004
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%-4.7%**	4.3%	4.9%
Inflation assumption	**2.0%-2.25%**	2.0%	2.0%-2.25%

Based on these assumptions, the following table sets out the market value of the assets of the schemes (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.

21 Pensions (continued)

	31/12/2006		31/12/2005		31/12/2004	
	Return	**Value**	Return	Value	Return	Value
		€000		€000		€000
Equities	**7.5%**	**3,175**	6.8%	11,874	7.3%	7,493
Bonds	**3.9%**	**5,355**	3.3%	1,867	3.8%	1,433
Property	**6.5%**	**260**	4.8%	952	5.3%	691
Cash	**3.0%**	**8,766**	2.0%-2.5%	428	2.0%-3.0%	2,428
Total market value of pension schemes' assets		**17,556**		15,121		12,045
Present value of pension schemes' liabilities		**(20,220)**		(19,826)		(15,198)
Net deficit in schemes		**(2,664)**		(4,705)		(3,153)
Related deferred tax asset		**333**		589		394
Net pension liability		**(2,331)**		(4,116)		(2,759)

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

At 31 December 2006, the net pensions liability in the Company was €2.331 million (2005: €2.033 million) being assets of €4.315 million (2005: €3.041 million) and present value of accrued scheme liabilities of €6.979 million (2005: €5.366 million) net of related deferred tax asset of €0.333 million (2005: €0.292 million).

21 Pensions (continued)

The movement in the deficits on the schemes (combined) is shown below.

	Group		Company	
	2006	2005	**2006**	2005
	€000	€000	**€000**	€000
Deficit in schemes at beginning of year	**(4,705)**	(3,153)	**(2,325)**	(1,462)
Current service cost	**(1,643)**	(1,109)	**(1,078)**	(573)
Past service cost	**-**	(53)	**-**	-
Settlements/curtailments	**73**	-	**-**	-
Contributions	**996**	794	**634**	322
Net finance income/(costs)	**65**	33	**(52)**	(45)
Actuarial gain/(loss)	**2,550**	(1,217)	**157**	(567)
Deficit in schemes at end of year	**(2,664)**	(4,705)	**(2,664)**	(2,325)
Deferred tax asset	**333**	589	**333**	292
Net pension liability	**(2,331)**	(4,116)	**(2,331)**	(2,033)

	Group	
	2006	2005
	€000	€000
Analysis of amount charged to operating profit:		
Current service cost	**(1,643)**	(1,109)
Past service cost	**-**	(53)
Settlements/curtailments	**73**	-
	(1,570)	(1,162)

	Group	
	2006	2005
	€000	€000
Analysis of other finance income (included in interest receivable) of Group undertakings:		
Expected return on pension schemes' assets	**953**	816
Interest on pension schemes' liabilities	**(888)**	(783)
	65	33

21 Pensions (continued)

	Group	
	2006	2005
	€000	€000
Analysis of amount recognised in the consolidated statement of total recognised gains and losses:		
Actuarial return less expected return on pension schemes' assets	**434**	1,420
Experience gains and losses on schemes' liabilities	**1,195**	(338)
Changes in assumptions underlying the present value of schemes' liabilities	**921**	(2,299)
Actuarial gain/(loss) recognised in year	**2,550**	(1,217)

Year ended 31 December	**2006**	2005	2004	2003	2002
	€000	€000	€000	€000	€000
History of experience gains and losses:					
Difference between expected and actual return on assets	**434**	1,420	(193)	582	(2,238)
Expressed as a percentage of scheme assets	**2.5%**	9.4%	1.6%	6.6%	30.5%
Experience gains and losses on scheme liabilities	**1,195**	(338)	472	473	984
Expressed as a percentage of scheme liabilities	**5.9%**	(1.7%)	3.1%	4.0%	9.3%
Total actuarial gains and losses	**2,550**	(1,217)	760	568	(3,372)
Expressed as a percentage of scheme liabilities	**12.6%**	(6.1%)	5%	4.8%	31.7%

22 Reserves

Group	Profit & loss account €000	Translation reserve €000	Other reserves €000	Total reserves €000	Total reserves €000
	2006				2005
At 1 January	**286,131**	**2,721**	**2,523**	**291,375**	237,555
Profit for the financial year	**165,962**	**-**	**-**	**165,962**	50,086
Currency translation adjustments	**-**	**(2,362)**	**-**	**(2,362)**	5,745
Actuarial gain/(loss) in pension schemes	**5,233**	**-**	**-**	**5,233**	(2,567)
Deferred tax thereon	**(1,124)**	**-**	**-**	**(1,124)**	556
Transfer of negative goodwill previously credited to reserves (Note 5)	**(14,056)**[a]	**-**	**-**	**(14,056)**	-
Transfer from translation reserve	**89**	**(89)**	**-**	**-**	-
At 31 December	**442,235**	**270**	**2,523**	**445,028**	291,375
As follows:					
Dublin Airport Authority plc	**292,655**	**-**	**-**	**292,655**	141,887
Subsidiary undertakings	**116,191**	**(2,265)**	**2,277**	**116,203**	105,721
Joint venture undertaking	**1,822**	**-**	**-**	**1,822**	1,996
Associated undertakings	**50,095**	**2,535**	**246**	**52,876**	46,243
Consolidation adjustment	**(4,472)**	**-**	**-**	**(4,472)**	(4,472)
Recycling of negative goodwill previously credited to reserves	**(14,056)**[a]	**-**	**-**	**(14,056)**	-
	442,235	**270**	**2,523**	**445,028**	291,375

[a] Upon the sale of the business and assets of a subsidiary undertaking, negative goodwill previously credited to reserves in the amount of €14.056 million was recycled through the current year profit and loss account (see Note 5). In addition €0.089 million was transferred from translation reserves to the profit and loss account reserve upon this disposal (see Note 12).

Company

Profit & loss account	2006 €000	2005 €000
At 1 January	**141,887**	95,184
Profit for the financial year	**150,631**	47,199
Actuarial gain/(loss) in the pension scheme	**157**	(567)
Deferred tax (charge)/credit thereon	**(20)**	71
At 31 December	**292,655**	141,887

23 Reconciliation of operating profit to cash inflow from operating activities

	Group	
	2006	2005
	€000	€000
Operating profit	**85,003**	64,070
Depreciation charge	**63,934**	44,307
Amortisation of intangible and financial assets	**895**	847
Amortisation of goodwill in associated undertaking	**230**	98
Write-off and impairment of tangible fixed assets	**540**	3,257
Amortisation of capital grants	**(5,178)**	(1,699)
(Profit)/loss on disposal of tangible fixed assets (excluding hotel assets)	**(196)**	12
Decrease/(increase) in stocks	**292**	(5,407)
Increase in debtors	**(2,904)**	(7,243)
Increase in creditors	**4,993**	22,434
Increase in net pension liability	**574**	368
Cash inflow from operating activities	**148,183**	121,044

24 Analysis of headings grouped in cash flow statement

	Group 2006 €000	Group 2005 €000
Returns on investments and servicing of finance		
Interest received	**3,446**	1,536
Interest paid	**(26,785)**	(24,968)
Income from other financial assets	**825**	739
	(22,514)	(22,693)

	Group 2006 €000	Group 2005 €000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(134,406)**	(100,322)
Sale of tangible fixed assets (excluding hotel assets)	**684**	54
Consideration for grant of easements to associated undertaking	**-**	2,298
	(133,722)	(97,970)

	Group 2006 €000	Group 2005 €000
Acquisitions and disposals		
Net proceeds from disposal of hotel business (Note 5)	**234,906**	-
Sale of financial asset	**29,772**	-
Investment in associate undertaking	**-**	(808)
Loan to associated undertakings	**(83)**	(110)
	264,595	(918)

	Group 2006 €000	Group 2005 €000
Financing		
New bank loans	**65,000**	20,000
Repayments of bank loans	**(27,003)**	(17,482)
Loan from minority interest to subsidiary undertaking	**-**	224
	37,997	2,742

25 Reconciliation of net cash flow to movement in net debt

	Group 2006 €000
Increase in cash in the year	**44,473**
Increase in liquid resources	**237,209**
Increase in debt	**(37,997)**
Change in net debt resulting from cash flows	**243,685**
Amortisation of issue costs	**(147)**
Foreign exchange movement	**621**
Movement in net debt in the year	**244,159**
Net debt at 1 January	**(379,736)**
Net debt at 31 December	**(135,577)**

26 Analysis of net debt

	At 1 January 2006 €000	Cash flow €000	Non-cash movement €000	Foreign exchange movement €000	At 31 December 2006 €000
Cash	11,147	44,473	-	571	56,191
Liquid resources	81,561	237,209	-	-	318,770
	92,708	281,682	-	571	374,961
Debt due within one year	(23,353)	27,003	(23,559)	-	(19,909)
Debt due after one year	(449,091)	(65,000)	23,412	50	(490,629)
	(472,444)	(37,997)	(147)	50	(510,538)
Total	**(379,736)**	**243,685**	**(147)**	**621**	**(135,577)**

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 2006 was:

	2006 Total €000	**2006 Floating rate €000**	**2006 Fixed rate €000**	2005 Total €000	2005 Floating rate €000	2005 Fixed rate €000
Financial liabilities						
Euro	**508,976**	**21,707**	**487,269**	470,833	33,564	437,269
US dollar	**1,562**	**-**	**1,562**	1,611	-	1,611
	510,538	**21,707**	**488,831**	472,444	33,564	438,880
Financial assets						
Euro	**364,749**	**364,749**	**-**	85,671	85,671	-
Sterling	**1,763**	**1,763**	**-**	1,924	1,924	-
US dollar	**4,996**	**4,996**	**-**	3,356	3,356	-
Canadian dollar	**1,572**	**1,572**	**-**	1,230	1,230	-
Ukraine hryvnia	**1,872**	**1,872**	**-**	522	522	-
Other currencies	**9**	**9**	-	5	5	-
	374,961	**374,961**	-	92,708	92,708	-

The weighted average interest rate for fixed rate euro currency financial liabilities was 5.4% (2005: 5.6%) and the weighted average period for which the rate is fixed was 9 years (2005: 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 €4.9 million (2005: €6.2 million).

(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:

27 Financial instruments (continued)

As at 31 December 2006	Euro	Sterling	US dollar	Canadian dollar	Ukraine hryvnia
	Net foreign currency monetary assets €000				
Functional currency of Group operations					
Euro	-	1,639	8,868	14	-
Canadian dollar	-	-	98	-	-
US dollar	191	-	-	-	1,872
	191	1,639	8,966	14	1,872

As at 31 December 2005	Euro	Sterling	US dollar	Canadian dollar	Ukraine hryvnia
	Net foreign currency monetary assets €000				
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

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

(iii) Fair values of financial liabilities and assets

Set out below is a comparison by category of book values and fair values of the Group's relevant financial liabilities as at 31 December 2006.

	2006		2005	
Primary financial instruments held or issued to finance the Group's operations	Book Value €000	Fair Value €000	Book Value €000	Fair Value €000
Short-term financial liabilities and current portion of long-term borrowings (Note 17)	19,909	20,857	23,353	25,743
Long-term borrowings (Note 17)	490,629	509,715	449,091	491,264
	510,538	530,572	472,444	517,007
Derivative financial instruments held to manage the interest rate and currency profile				
Interest rate swaps	-	-	-	(229)
Derivative financial instruments held or issued to hedge the currency exposure on expected future sales				
Forward foreign exchange contracts	-	54	-	(12)

27 Financial instruments (continued)

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:

	Gains €000	Losses €000	Total net gains/(losses) €000
Unrecognised gains and losses on hedges on 1 January 2006	8	(249)	**(241)**
Gains and losses arising in previous years recognised in 2006	(8)	249	**241**
Gains and losses arising before 1 January 2006 not recognised in 2006	-	-	**-**
Gains and losses arising in 2006 not recognised in 2006	54	-	**54**
Unrecognised gains and losses on hedges at 31 December 2006	**54**	**-**	**54**
Of which:			
Gains and losses expected to be recognised in 2007	54	-	54
Gains and losses expected to be recognised in 2008 or later	-	-	-
	54	-	54

28 Commitments

	Group		Company	
	2006	2005	**2006**	2005
	€000	€000	**€000**	€000
(i) Capital commitments				
Contracted	**116,973**	22,724	**116,973**	22,319
Authorised by the directors but not contracted for	**114,741**	31,544	**112,907**	28,577
	231,714	54,268	**229,880**	50,896

(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	**121**	664	**121**	633
Two to five years	**-**	32	**-**	-
	121	696	**121**	633

Buildings

Payable on leases which expire within:				
Two to five years	**6,093**	727	**-**	-
Greater than five years	**377**	6,678	**-**	-
	6,470	7,405	**-**	-

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.

	2006 €000	2005 €000
Management charges to associated undertakings	**7,531**	6,930
Charges to associated undertakings in respect of services provided by the Group	**17**	392
Sales at cost to associated undertakings	**5,283**	4,019
Dividends received from associated undertakings	**8,648**	8,449
Loans to associated undertakings	**563**	1,349
Due from associated undertakings at year-end	**2,659**	2,187
Due to associated undertakings at year-end	**341**	-
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%).

	2006 €000
At beginning of year	**(1,187)**
Share of loss for the year	**(105)**
Exchange differences	**(133)**
At end of year	**(1,425)**

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:

	2006	2005
	€000	€000
Turnover	**174,282**	156,588
Fixed assets	**298,089**	303,312
Current assets	**75,045**	76,081
Liabilities due within one year	**(26,599)**	(33,015)
Liabilities due after one year or more	**(259,064)**	(286,694)

The Group's share of capital commitments of all associated undertakings amounted to €20 million.

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

	Flughafen Düsseldorf GmbH	
Group share:	**(20%)**	
	2006	2005
	€000	€000
Turnover	**75,422**	67,456
Profit before tax	**6,197**	5,700
Taxation	**(2,726)**	(3,561)
Profit after tax	**3,471**	2,139
Fixed assets	**192,711**	200,008
Current assets	**16,969**	19,645
Liabilities due within one year	**(6,547)**	(6,360)
Liabilities due after one year or more	**(183,304)**	(193,316)

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 16 April 2007.

Five year summary of financial results

	2006 €000	2005 €000	2004 €000	2003 €000	2002 €000
Operating results					
Turnover	**590,586**	524,982	465,688	436,868	420,874
Group EBITDA	**145,228**	110,992	89,893	72,625	69,804
Group operating profit	**85,003**	64,070	46,090	29,580	33,274
Share of profits of associates and joint venture	**31,350**	30,000	23,653	19,061	42,638
Net interest payable – Group, joint venture and associates	**(28,156)**	(30,120)	(31,314)	(34,493)	(31,568)
Group exceptional items	**115,638**	-	2,381	7,318	6,056
Profit before taxation	**203,835**	63,950	40,810	21,466	50,400
Taxation	**(37,978)**	(14,213)	(10,555)	(1,453)	(14,172)
Minority interest	**105**	349	515	233	(5)
Profit for the financial year	**165,962**	50,086	30,770	20,246	36,223
Profit excluding exceptional items (after tax)	**69,523**	50,086	28,867	13,356	30,944
Capital employed					
Tangible fixed assets	**793,447**	809,082	745,415	706,880	698,394
Intangible fixed assets	**4,100**	5,476	5,422	6,257	7,883
Financial fixed assets	**151,567**	171,544	165,604	175,981	186,017
Net current assets/(liabilities)	**238,945**	(18,420)	2,032	(3,597)	17,490
Total assets less current liabilities	**1,188,059**	967,682	918,473	885,521	909,784
Creditors over one year	**(498,731)**	(457,354)	(460,536)	(448,333)	(463,444)
Capital grants	**(19,380)**	(24,558)	(26,257)	(27,686)	(30,437)
Provisions for liabilities and charges	**(37,677)**	(5,129)	(5,735)	(6,890)	(12,628)
Net pension liability	**(2,331)**	(4,116)	(2,759)	-	-
Net assets	**629,940**	476,525	423,186	402,612	403,275

2004 figures are as restated in the 2005 annual report. 2002 – 2003 figures are as previously reported.

Five year summary of financial results continued

	2006 €000	2005 €000	2004 €000	2003 €000	2002 €000
Summary Cash Flow					
Cash flow from operating activities	**148,183**	121,044	98,296	80,139	63,296
Payments in respect of exceptional restructuring programme	**-**	-	(3,498)	(4,305)	(18,697)
Dividends from associated undertakings	**8,648**	8,449	7,995	4,454	3,571
	156,831	129,493	102,793	80,288	48,170
Net interest paid/investment income	**(22,514)**	(22,693)	(22,951)	(23,052)	(18,352)
Taxation paid	**(21,505)**	(4,437)	(723)	(1,503)	(930)
	112,812	102,363	79,119	55,733	28,888
Investment in tangible fixed assets	**(134,406)**	(100,322)	(84,018)	(59,758)	(94,963)
Investment in/loans to associated and joint venture undertakings and financial assets	**(83)**	(918)	2,102	1,974	4,011
Purchase of subsidiary undertakings including the related financial assets	**-**	-	-	(2,099)	2,352
Sale of discontinued operations	**234,906**	-	-	-	-
Sale of tangible and financial assets	**30,456**	2,352	2,666	11,380	6,953
	130,873	(98,888)	(79,250)	(48,503)	(81,647)
	243,685	3,475	(131)	7,230	(52,759)
Dividends paid	**-**	-	(6,074)	(7,245)	-
Cash inflow/(outflow) before management of liquid resources and financing	**243,685**	3,475	(6,205)	(15)	(52,759)
Net debt					
Group net debt at year end	**135,577**	379,736	384,056	377,420	375,789

Five year summary of passenger statistics

Passengers	**2006**	2005	2004	2003	2002
Overall					
Transatlantic	**2,138,117**	1,974,263	1,799,402	1,697,388	1,417,268
Great Britain	**11,449,517**	10,994,132	10,315,793	9,870,928	9,615,579
Europe & Middle East	**12,152,461**	9,731,486	8,075,799	7,298,453	6,677,365
Domestic	**1,326,945**	986,134	1,046,590	1,072,045	1,042,135
Transit	**778,963**	796,754	550,156	500,104	560,297
	27,846,003	24,482,769	21,787,740	20,438,918	19,312,644
Percentage growth year-on-year	**+13.7%**	+12.4%	+6.6%	+5.8%	+4.3%
Dublin					
Transatlantic	**1,356,974**	1,260,504	1,106,021	1,011,861	798,902
Great Britain	**8,626,342**	8,261,174	8,352,602	7,948,276	7,884,031
Europe & Middle East	**10,290,993**	8,175,331	6,913,388	6,135,378	5,627,552
Domestic	**813,177**	652,733	690,205	675,662	650,965
Transit	**108,896**	100,697	76,157	84,907	123,217
	21,196,382	18,450,439	17,138,373	15,856,084	15,084,667
Percentage growth year-on-year	**+14.9%**	+7.7%	+8.1%	+5.1%	+5.2%
Shannon					
Transatlantic	**780,917**	713,556	693,102	685,312	617,877
Great Britain	**1,286,317**	1,162,942	697,391	713,658	702,313
Europe	**816,996**	655,847	442,942	466,759	495,324
Domestic	**100,484**	95,238	106,822	135,740	117,871
Transit	**654,332**	674,841	454,859	399,208	420,145
	3,639,046	3,302,424	2,395,116	2,400,677	2,353,530
Percentage growth year-on-year	**+10.2%**	+37.9%	-0.2%	+2.0%	-2.1%
Cork					
Transatlantic	**226**	203	279	215	489
Great Britain	**1,536,858**	1,570,016	1,265,800	1,208,994	1,029,235
Europe	**1,044,472**	900,308	719,469	696,316	554,489
Domestic	**413,284**	238,163	249,563	260,643	273,299
Transit	**15,735**	21,216	19,140	15,989	16,935
	3,010,575	2,729,906	2,254,251	2,182,157	1,874,447
Percentage growth year-on-year	**+10.3%**	+21.1%	+3.3%	+16.4%	+5.6%

Five year summary of aircraft movements

Overall	**2006**	2005	2004	2003	2002
Commercial					
- Scheduled	**211,894**	199,490	186,770	186,028	177,656
- Non Scheduled	**29,645**	31,756	27,472	26,292	25,723
- Cargo	**10,278**	11,134	11,308	12,730	13,447
Commercial Air Transport Movements	**251,817**	242,380	225,550	225,050	216,826
Percentage growth year-on-year	**+3.9%**	+7.5%	+0.2%	+3.8%	-2.4%
Others	**56,521**	52,425	45,587	44,639	46,827
Total Aircraft Movements	**308,338**	294,805	271,137	269,689	263,653
Dublin					
Commercial					
- Scheduled	**161,375**	151,108	148,739	143,250	142,805
- Non Scheduled	**14,110**	15,477	14,453	12,288	14,487
- Cargo	**5,720**	6,525	6,773	7,395	8,728
Commercial Air Transport Movements	**181,205**	173,110	169,965	162,933	166,020
Percentage growth year-on-year	**+4.7%**	+1.9%	+4.3%	-1.9%	-2.4%
Others	**15,436**	13,728	12,210	14,848	15,854
Total Aircraft Movements	**196,641**	186,838	182,175	177,781	181,874
Shannon					
Commercial					
- Scheduled	**22,525**	20,046	14,534	15,709	15,455
- Non Scheduled	**9,997**	11,097	8,420	7,586	7,572
- Cargo	**3,067**	3,096	2,988	3,842	3,194
Commercial Air Transport Movements	**35,589**	34,239	25,942	27,137	26,221
Percentage growth year-on-year	**+3.9%**	+32.0%	-4.4%	+3.5%	-2.6%
Others	**11,126**	10,854	9,876	10,504	10,642
Total Aircraft Movements	**46,715**	45,093	35,818	37,641	36,863
Cork					
Commercial					
- Scheduled	**27,994**	28,336	23,497	27,069	19,396
- Non Scheduled	**5,538**	5,182	4,599	6,418	3,664
- Cargo	**1,491**	1,513	1,547	1,493	1,525
Commercial Air Transport Movements	**35,023**	35,031	29,643	34,980	24,585
Percentage growth year-on-year	**+0.0%**	+18.2%	-15.3%	+42.3%	-2.1%
Others	**29,959**	27,843	23,501	19,287	20,331
Total Aircraft Movements	**64,982**	62,874	53,144	54,267	44,916

General business & 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 N. Inst.
Refueling	Full refueling facilities available - AVGAS 100 LL, JET A1
Operational	Hrs 24 hrs
Postal Address	Dublin Airport, Co. Dublin, Ireland
Fax Number	(01) 814 1034 (09:00 - 17: 00) / (01) 814 5479 (24hrs)
Telephone Number	National (01) 814 1111 / Intl 353 1 814 1111
Web	**www.dublinairport.com**
Sita	DUBRB7X (Airport Administration) / DUBYREI (Operations)

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

General business & 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 & aeronautical information continued

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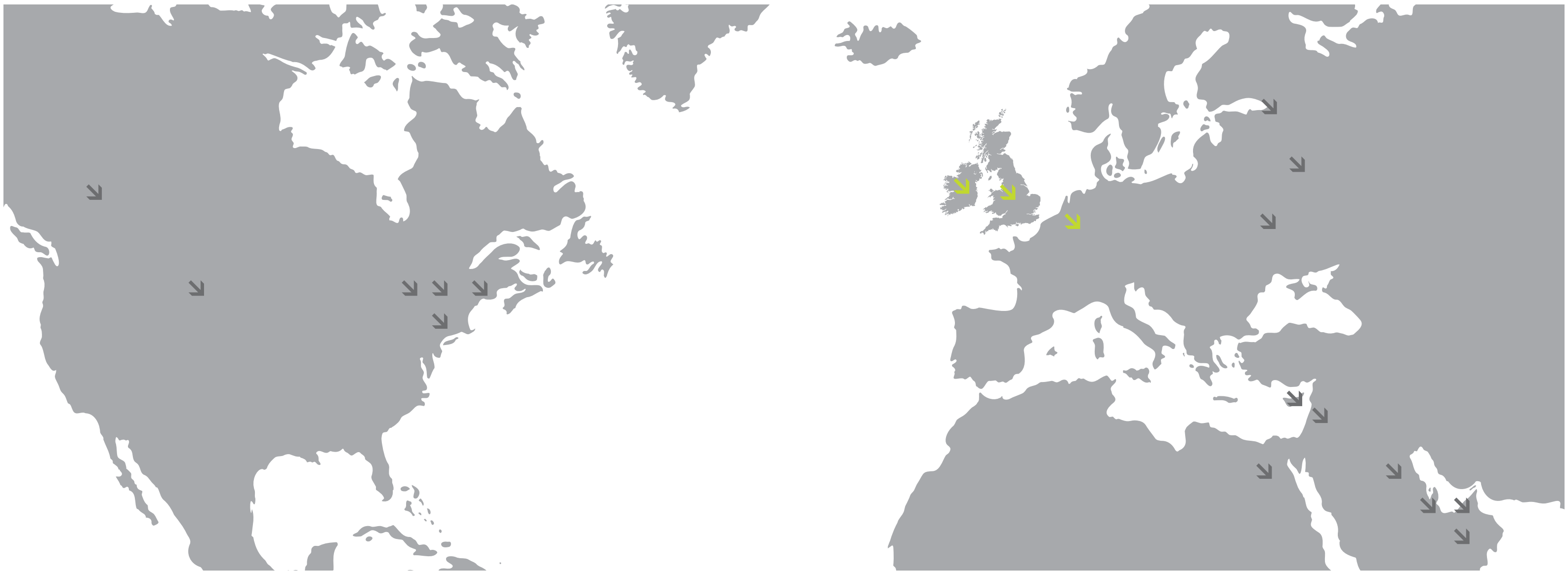
St Stephens Green
Dublin 2

Principal Bankers

Bank of Ireland
European Investment Bank

Notes

Group



Structure

Dublin Airport Authority plc
Dublin, Shannon, Cork
Aer Rianta International
Birmingham, Düsseldorf

Airport Retailing
CIS
Moscow, St. Petersburg, Kiev
Middle East
Bahrain, Beirut, Cyprus, Egypt, Kuwait
Oman, Qatar
North America
Montreal, Edmonton, Winnipeg, Ottawa
Halifax, New York

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
Vincent Wall
Director, Communications

Dublin Airport Authority plc
Údarás Aerfort Bhaile Átha Cliath cpt