Building for the future

daa plc | daa cpt

Annual Report 2018

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1

Who we are

We are a global airports and travel retail Group that has businesses in 13 countries. We are owned by the Irish State and headquartered at Dublin Airport.

Our vision is to be airport industry leaders.

2

What we do

We manage Dublin and Cork airports, and have overseas airport operations and investments in Cyprus, Germany and Saudi Arabia. Our travel retail subsidiary ARI has outlets in Europe, North America, the Middle East, India and Asia-Pacific. We also provide aviation advisory services.

Find out more on page 6

3

How we add value

We grow our business with talented people by delivering great service and value for airlines, passengers and our business partners.

Find out more on page 17

4

Our focus on growth

We look to grow our Group at home and abroad to increase the value of the business.

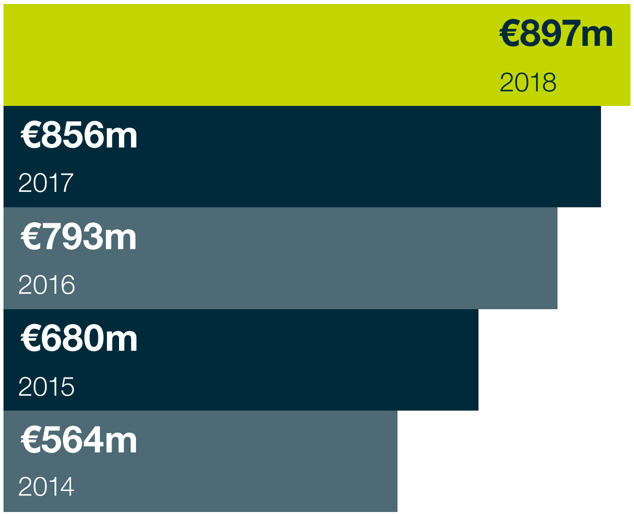
Find out more on page 19

Financial

Turnover 2018

€897m

+5%



EBITDA

€289m

+7%

Profit after tax (pre-exceptional)

€133m

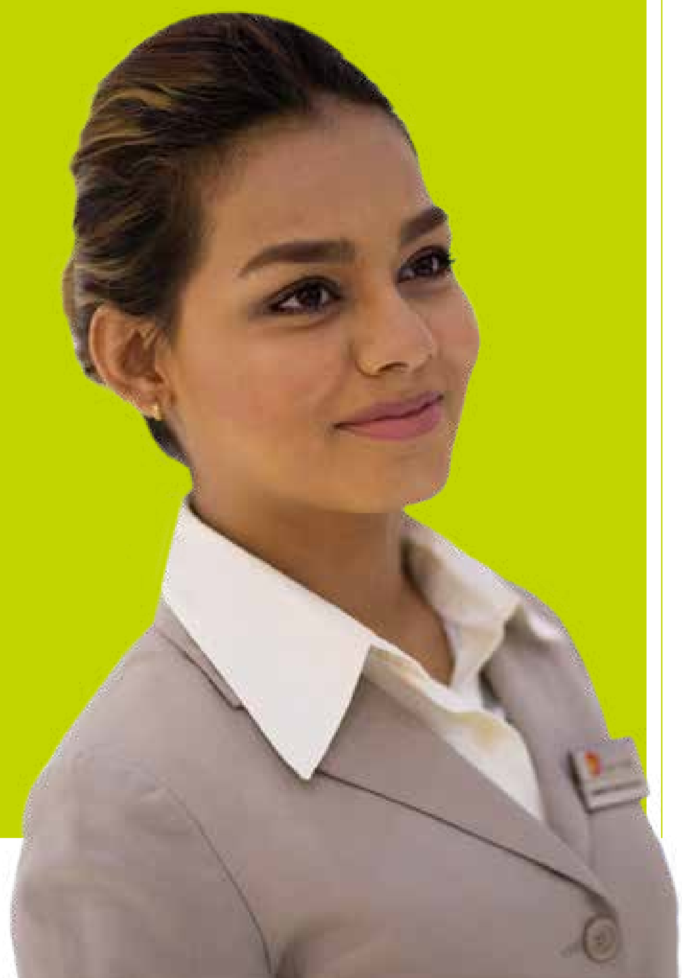
+6%

Customers

€331m

retail and food and beverage sales at Dublin and Cork airports

Flights to 195 destinations in 42 countries from Dublin Airport in summer 2018.



Operations

International turnover

€256m

+4%

103
days Dublin Airport had over 100,000 passengers

639
average daily flights at Dublin Airport

3
years of consecutive growth in passenger numbers at Cork Airport

1st
direct routes to mainland China and Hong Kong

Traffic

31.5m

passengers at Dublin Airport

2.1m
connecting passengers at Dublin Airport

2.4m
passengers at Cork Airport

4%
rise in passenger numbers at Cork Airport

14.7m
passengers at Terminal 5, King Khalid International Airport in Riyadh, Saudi Arabia

8th
year Dublin Airport enjoyed consecutive traffic growth

Awards

Dublin Airport was a joint winner in its category of European Airports that have 25-40 million passengers per year in the Airports Council International (ACI) World Airport Service Quality Awards.

Cork Airport won the World Routes 2018 Marketing Award for airports with under four million passengers per year.

Muscat Duty Free, in partnership with Oman Air, won Inflight Retail Operator of the Year for the second consecutive year at the prestigious Frontier Awards in Cannes in October 2018.

Dublin Airport ranked ninth in the list of companies with the best corporate reputation in Ireland in the 2018 Reptrak survey.

Cork Airport's Charity of the Year programme won the Social Good – Corporate award at the Ireland Chapter of Project Management Institute's National Project Awards 2018.

Delhi Duty Free won the 2018 Spirits Awards Indian Duty Free of the Year.

Dublin Airport won the awards for the Best Airport Twitter Feed, the Best Use of Instagram by an Airport and the Best Use of Social and Digital Media by an Airport at the Moodies social and digital media awards.

daa's North Runway project, and its contractor Roadbridge, were awarded Gold at the 2018 Considerate Constructors Scheme Awards in the UK.

ARI (North America) was named Best Canadian Duty-Free operator for the third year in a row at the Frontier Duty Free Association Convention.

Dublin Airport won the Innovation in Technology & Systems Award for its Fire Alarm App at the 2018 Facilities Management Awards.

The Liquor Store in Dublin Airport's Terminal 2 won Best New Store from Duty Free News International.

What we do

daa has four business units: Dublin Airport, Cork Airport, ARI, our travel retail subsidiary, and daa International, our international aviation management and advisory business. We employ 3,350 people in Ireland and another 4,290 people between our joint ventures and wholly owned subsidiaries in our international businesses around the world.

Dublin Airport

Dublin Airport is Ireland's major international gateway with a record 31.5 million passengers in 2018. The airport has flights to almost 200 destinations in 43 countries, operated by 56 airlines.

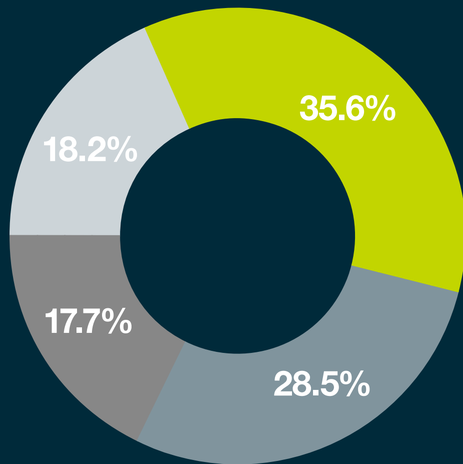
Find out more on page 34

Cork Airport

Cork Airport is Ireland's second largest international airport with 2.4 million passengers in 2018. The airport offers more than 50 routes to destinations in the UK, Europe and the United States.

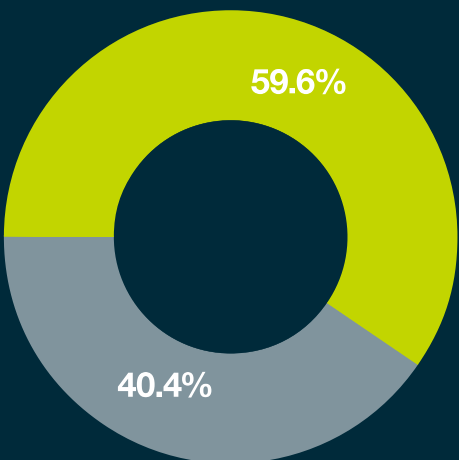
Find out more on page 37

Group turnover by class of business

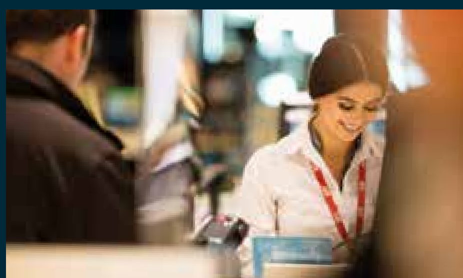


- Aeronautical turnover
- International retail and other activities
- Other commercial activities
- Direct retailing and retail/catering activities

Group turnover by category



- Rendering of services
- Sale of goods



ARI

ARI has businesses in 13 countries. It manages its own outlets in Dublin and Cork airports, and has interests in retail operations in 11 other countries. ARI also holds the Group's shareholding in Düsseldorf Airport and Hermes Airports, which operates Larnaca and Paphos airports in Cyprus.

Find out more on page 40

daa International

daa International is an aviation consulting and advisory business which operates Terminal 5 at King Khalid International Airport in Riyadh, Saudi Arabia. This domestic terminal had 14.7 million passengers in 2018.

Find out more on page 43

How we do it

Our people are at the core of our business and our strategy is to continue to invest in their development and to further empower them with the appropriate investment in training programmes and support.

We also continue to invest in improved technologies that will help all our colleagues work more efficiently through all levels in the organisation.

Our corporate Values of 'Respecting Each Other's Value', 'Passing The Baton, Not The Buck', 'Brilliant At The Essentials' and 'Always Better' are central to this approach. They also underpin our desire to develop great people and teams at daa that will help us increase the value of the business while delivering excellent service and value for all our customers.

We look to new and improved ways of communicating with our colleagues and to driving respect and care in everything we do throughout the organisation. We aim to build on the success of those who came before us but to also invest in the future of our colleagues and our business operations.

We are an Irish business with a proud history and a global reach. We are a world leader in airport management and travel retail recognised globally as pioneers, especially in our contribution to the development of travel retail around the world, and as standard bearers for how successful Irish companies can be on the international stage.

The Platinum Services team at Dublin Airport.

Develop great people and teams that are ready for tomorrow.

Read more about our strategy on page 20

3,350
people employed in Ireland

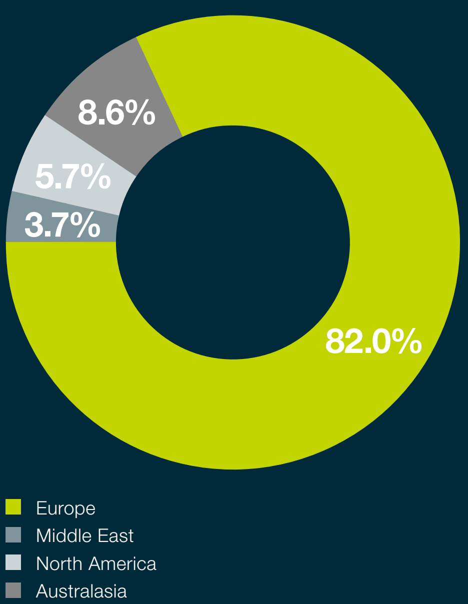
4,290
people employed internationally*

* Direct and indirect employees employed in joint ventures and wholly owned subsidiaries.

Where we operate

daa Group is headquartered in Dublin with airport operations at Dublin and Cork airports in Ireland and Terminal 5 at King Khalid International Airport in Riyadh, Saudi Arabia. The Group's travel retail business, ARI, operates its own retail outlets at Dublin and Cork airports and has interests in travel retail stores at 15 other airports across Europe, North America, Asia and Australasia. ARI also holds the Group's investment in Düsseldorf Airport and Hermes Airports, which manages Larnaca and Paphos airports in Cyprus.

Group turnover by geography




ARI – Larnaca and Paphos, Cyprus
ARI – Delhi, India
Dublin Airport
Cork Airport
ARI
daa International
ARI – Beirut, Lebanon
ARI – Manama, Bahrain
ARI – Jakarta, Indonesia
ARI – Muscat, Oman
ARI – Auckland, New Zealand
ARI – Doha, Qatar
Terminal 5, King Khalid International Airport, Riyadh, Saudi Arabia
ARI – Riyadh, Saudi Arabia

Delivering a focused strategy for the future

"The Group enjoyed a record performance last year, as measured both in financial and passenger terms. Profit after tax, before exceptional items was €133 million, which was a 6% increase on the previous year."

Basil Geoghegan
Chairman

I was honoured to have been appointed as daa Chairman last June and am delighted to present the Group's Annual Report for 2018.

Traffic at our two Irish airports increased by 6% to 33.9 million. Dublin Airport enjoyed its eighth consecutive year of growth, while traffic at Cork Airport increased for the third year in a row. This growth was driven by a combination of expansions from our existing customer base and the addition of new airlines at both airports.

There was strong top line growth at our overseas retail and airports investment business ARI (Aer Rianta International), however the increasingly competitive nature of the travel retail sector meant that lower returns were generated from the renewal of some existing contracts with overseas airports.

daa International delivered a quality travel experience at Terminal 5 at Riyadh's King Khalid International Airport (KKIA) in Saudi Arabia during the year. It continues to seek new business opportunities in the global aviation sector.

The Board has recommended an interim dividend of €40 million for the year. A dividend of €37.4 million in respect of 2017 was paid during 2018. Since 2015, daa has paid €125 million in dividends to the State. Although State-owned, the Group receives no funding from the Exchequer and operates as a fully standalone commercial business.

Capital expenditure was €132 million in 2018, but this will grow significantly in the short term as we invest for the future, particularly at Dublin Airport. As detailed on page 22, North Runway is now under construction.

We are also in discussions with the Commission for Aviation Regulation (CAR) and our airline customers regarding a major five-year capital investment programme that will deliver new and improved passenger facilities across the airport campus, as well as major airfield and commercial investments, and a substantial ongoing repair and maintenance programme.

The capital programme is being considered by CAR, which is Dublin Airport's regulator, as part of its forthcoming airport charges determination. Our regulatory position is that Dublin Airport charges, which are already 30-40% cheaper than our peers, will be broadly flat despite the major increase in capital expenditure.

This investment programme, which will be funded by daa without State support, will help deal with the huge growth in passenger numbers in recent years and allow Dublin Airport to efficiently expand to process 40 million passengers per annum.

The Group participated fully in the Review of the Capacity Needs for Ireland's State Airports that was commissioned by the Minister for Transport, Tourism and Sport, Shane Ross TD, and formally responded to the report shortly before the year-end. It outlined its view that what Dublin Airport needs to enable it to efficiently expand in the medium term is new boarding gate areas, parking stands, and other facilities. There is currently no requirement for a new terminal at Dublin Airport.

The Board is committed to the highest standards of corporate governance through the prudent management of risk, coupled with the delivery of the Group's growth strategy in a sustainable and safe manner. The Risk Management and Governance sections of this report, which can be found on pages 28 and 60 respectively, contain further information on the Board and some of its key areas of attention. Greater diversity is needed at Board and senior management levels and this is also a focus for the Group.

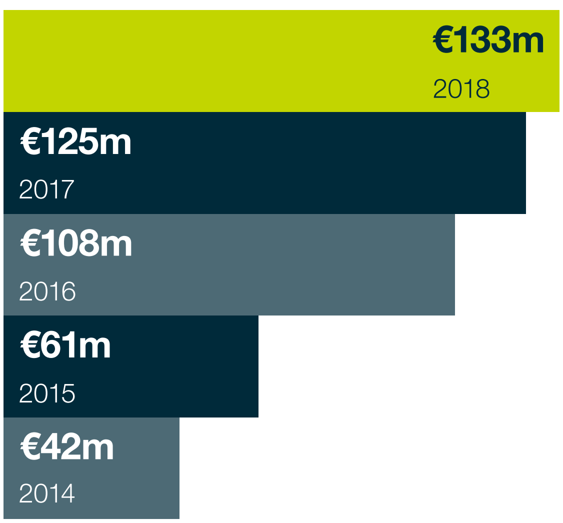
There were a number of changes to the Board during the year. Former Chairman Pádraig Ó Ríordáin's term of office ended in January, following a very successful six years in the role. Des Mullally also stepped down in January and was replaced by Paul Mehlhorn under the Worker Participation (State Enterprises) Acts 1977 to 2001. Paul Schütz's term of office ended in July, and Risteard Sheridan was appointed to the Board in September. Biographical details for all Directors are contained on pages 56 and 57.

The Group is investing prudently for the future and with new routes and expansions at both Dublin and Cork airports, and an expanding international business, it is well placed for long-term growth in line with our current strategy. However, at the time of writing, the full impact of Brexit – on both the UK and Irish economies – remains uncertain and this is a concern.

Finally, on behalf of the Board, I would like to thank the entire staff, CEO Dalton Philips and the management team for all their efforts over the past 12 months.

Basil Geoghegan
Chairman
21 March 2019

Profit after taxation (pre-exceptional)



33.9m
total passenger numbers at Dublin and Cork airports in 2018
+6%

Growing passenger numbers underpin improved financial performance

"Our airports play a vital role in the Irish economy. Together, Dublin and Cork account for almost 92% of aviation traffic into and out of the State."

Dalton Philips
Chief Executive

Group EBITDA

€289m

+7%

The Group made significant progress in 2018.

Passenger numbers increased, our financial performance further improved, we expanded our international reach, advanced our people agenda and continued to invest and to plan for the future.

Turnover was up 5% to €897 million, with the increase in Irish turnover outpacing the growth in our international businesses, which operate in 12 countries across four continents. Earnings before interest depreciation and amortisation (EBITDA) increased by 7% to a record €289 million. Our profit before exceptional items increased by 6% to €133 million.

Our domestic airports play a vital role in the Irish economy. Together, Dublin and Cork airports account for 74% of traffic to and from the island of Ireland and almost 92% of aviation traffic to and from the State. Their 42% passenger growth since 2014 has underpinned a record performance for Irish tourism and growth in trade, exports and foreign direct investment.

Dublin Airport had a record 31.5 million passengers in 2018, while Cork Airport, which has seen its traffic increase by 16% over the past three years, welcomed 2.4 million passengers. Dublin Airport was named the joint best airport in Europe in its category for customer service in 2018 and Cork won a global award for the quality of its marketing.

This summer, Dublin will have 191 destinations including three routes to mainland China and Hong Kong. Cork will offer the State's second largest route network, with 52 destinations in the UK, continental Europe and the US.

Our retail business ARI (Aer Rianta International) entered new markets in Indonesia and Saudi Arabia and continued to win international awards for the quality of its stores. ARI had higher airport concession fees in 2018, having retained several contracts on updated terms following global tender processes. The higher fees reflect the increasingly competitive nature of the international travel retail market.

daa International's profitability growth was slower than hoped, as it continued to build its central team to position it to win additional business overseas. Our investments in Düsseldorf, Paphos and Larnaca airports once again made a positive contribution to our results.

The Group's strategy, 'Creating Our Future' for the period from 2018 until 2021, was embedded during the year. The majority of our financial targets were achieved in 2018, including goals in relation to passenger numbers, EBITDA and profit after tax.

The delivery of the vital North Runway project at Dublin Airport gained momentum during the year and this is detailed on pages 22 to 25. The main construction contract was placed in October and post year-end, the sod was officially turned by Taoiseach Leo Varadkar and the Minister for Transport, Tourism and Sport Shane Ross.

45%
traffic growth at Dublin Airport since 2014

9.9%
return on capital employed

The Group continues to adopt a twin-track strategy to North Runway. We are simultaneously progressing the construction of this vital national asset, whilst in parallel seeking to amend the two onerous planning conditions that will apply to the operation of Dublin Airport once the new runway opens. If the proposed planning restrictions are not amended, there will be a significant reduction in flights to and from the airport, which will have profound effect on national connectivity.

The Group continues to drive engagement with its employees across the business and is committed to creating exciting opportunities that will help to develop our employees' capability. We are investing in a series of initiatives, including improved facilities and technology systems, to enhance the working environment of colleagues at every level to create a high performing organisation.

During the year, we concluded a significant new change and pay agreement with the trade union SIPTU on behalf of its members working at daa. Separate agreements in 2017 with Fórsa (previously IMPACT) and Mandate mean that more than 90% of our Irish unionised workforce is now covered by pay agreements until 2020.

The bulk of our business operates within the price regulated environment at Dublin Airport. In that context, the Commission for Aviation Regulation's (CAR) forthcoming charges determination, which will cover the five years beginning January 1, 2020, will have a significant bearing on the Group's financial performance during that period. CAR is expected to issue a draft determination during the second quarter of 2019, with the final determination due in the autumn.

Group turnover

€897m

+5%

For the next determination period, we are seeking approval for broadly flat airport charges that will support the funding of a step-change in capital investment at Dublin Airport. The significant growth at Dublin Airport since 2014 has created capacity constraints. These need to be addressed as quickly as possible to meet our airline customers' needs. In that context, it was positive that CAR approved a €268 million supplementary capital expenditure plan in 2018.

We are now consulting on a new clearly specified plan to meet those challenges and have broad customer support for the overall programme. The new capacity delivered within this plan is fully in line with our strategic aim of building for the future and unlocking growth at our airports.

At the centre of the 'Capital Investment Programme 2020+' is a €1 billion proposal to add capacity in key areas where Dublin Airport has constraints and where our customers want to see additional investment.

We propose to invest an estimated €450 million at the northern side of Dublin Airport around Terminal 1, while the southern area, close to Terminal 2 is earmarked for a €570 million expansion. A further €200 million will go towards airfield improvements and we have proposed to invest about €120 million per year in repair and maintenance and revenue generating projects.

The programme will deliver two new boarding gate areas and a 23% increase in aircraft parking stands. There will also be substantial improvements and enlargements to many existing passenger and airfield facilities across the airport campus.

Securing funding from the market for these transformational investments requires the Group to continue to maintain its current position as a strong investment grade borrower. We are currently rated A- with a Positive outlook and have a strong balance sheet. The Group ended the year with net debt of €441 million, a reduction of 18% compared to 2017.

23%
increase in new aircraft parking stands planned at Dublin Airport

2.1m
passengers used Dublin Airport as a hub in 2018
+18%

Net debt level

€441m
-18%

The pipeline of new routes and expansions that we have for Dublin and Cork airports this year should underpin continued passenger growth.

The Group continues to invest in its existing retail operations at home and abroad and is seeking new business opportunities for ARI. We are also committed to expanding daa International's global footprint.

As outlined by our Chairman, the impact of Brexit is a significant worry, particularly for the Irish business. Thankfully, the fear that flights between Ireland and the UK could be suspended due to a hard Brexit has receded.

Nevertheless, the exact nature of the UK's departure from the European Union remains unclear. This creates profound political and economic uncertainty, principally in the UK and Ireland, but also across the rest of the EU.

Notwithstanding a healthy traffic pipeline, there are downside risks in relation to the global economic outlook, and within the aviation sector. Policy decisions in relation to the delivery of capacity at Dublin Airport and airport ownership could also have an impact on the business.

I never cease to be amazed by the high quality of the products and services that my colleagues deliver in Ireland and overseas on a daily basis. They take huge pride in what they do. It is an honour for me to be their Chief Executive and I would like to thank them for their contribution last year.

I would also like to thank our many millions of customers last year. Your custom and trust are greatly appreciated, and we never take it for granted.

Dalton Philips
Chief Executive Officer
21 March 2019

"I never cease to be amazed by the high quality of the products and service that my colleagues deliver in Ireland and overseas on a daily basis. They take huge pride in what they do."

Strategy in action

Improving the passenger experience

We strive to meet the diverse needs of hundreds of thousands of people travelling through our airports and retail outlets every day. Our vision is to be airport industry leaders and to grow our business by delivering great service and value for airlines, passengers and business partners.

One of our strategic priorities is to 'reach new heights at our airports' and we can do this through consistently delivering the best experiences for our passengers, customers and partners.

In order to achieve our vision, we gather data and monitor feedback from our customers. We have a dedicated Customer Experience department at Dublin Airport which responds to passenger feedback through various media including via phone call, email and social media.

Our Insights & Planning team conducts more than 30,000 surveys annually as part of our Customer Service Monitoring and Passenger Tracking programmes, and has push button (Happy or Not) passenger satisfaction units in key locations throughout the airport. daa's performance is monitored by the Commission for Aviation Regulation (CAR) with regard to service quality measures as follows:

- Courtesy/helpfulness of security staff.
- Ease of wayfinding through the airport.
- Flight information screens.
- Courtesy/helpfulness of airport staff.
- Internet access/WiFi.
- Cleanliness of washrooms.
- Comfort of wait/gate areas.
- Cleanliness of airport terminal.
- Feeling of being safe and secure.
- Overall satisfaction.

Dublin Airport's Service Quality Team audits the airport on a constant basis against CAR's service quality targets and internal targets.

The Passenger Journey Improvement Programme at Dublin Airport drives action from our many sources of passenger information. This continuous improvement programme is led by a cross-functional team consisting of members of the Insights and Planning, Customer Experience and Quality Improvement teams.

Combining passenger feedback information for each part of the passenger journey allows daa to focus on projects and initiatives to improve the passenger experience.

Strategic linkage

Creating Our Future

'Creating Our Future', daa's corporate strategy for 2018 to 2021, provides direction for the next phase of development for the Group. Our strategy represents an ambitious agenda to achieve the goal of increasing the value of our business, and it will bring us closer to our vision to 'be airport industry leaders, growing our business with talented people delivering great service and value for airlines, passengers and business partners'. It is underpinned by a commitment to our Values as the guiding principles for the way we behave and work together.

Over a four-year period, daa will focus on the following strategic priorities:

1. Reach new heights at our airports

We are always aiming to be the best, to make the passenger experience as good as it can be, and to enable our customers and partners to grow along with us. We focus on three areas to do this:

Partner customers, delight passengers

- Provide top-tier customer service to our airline partners.
- Position ourselves as the airports of choice through our connection with passengers by improving passenger facilities and adding services that passengers value.

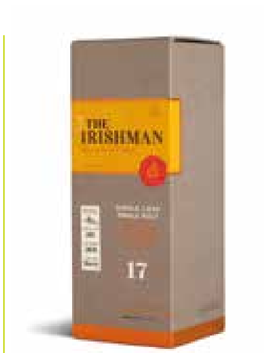
Stimulate growth

- Deliver growth through increased choice, connectivity and competition.
- Build non-aeronautical turnover by optimising opportunities and identifying areas for future growth.
- Dublin Airport is facing some capacity constraints but can continue to expand in smart ways by increasing transfers, attracting new airlines, and growing into the existing infrastructure through filling off-peak periods, increasing load factor and up-gauging aircraft. This will position us for the future when constraints are addressed.
- In Cork Airport, we will encourage new airlines and more inbound visitors, maintain our transatlantic business, and deepen links with our hinterland.

Be safe, secure and reliable

- Deliver high levels of compliance with Security Regulations, together with an efficient and effective product.
- Ensure operational excellence in safety at both Dublin and Cork airports.
- Increase asset reliability and pro-active maintenance through data analytics and automation.

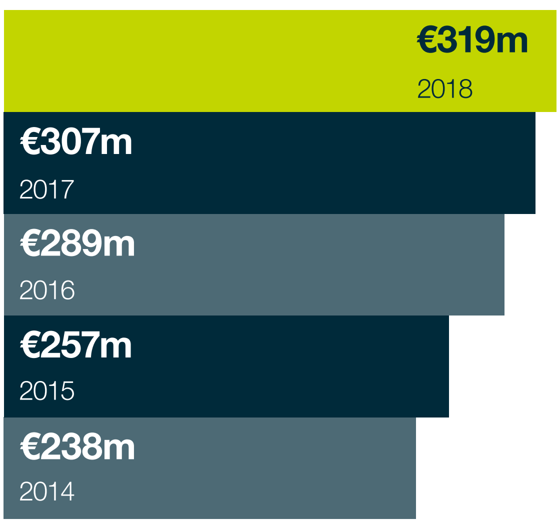
Find out more on page 15, and pages 22 to 27



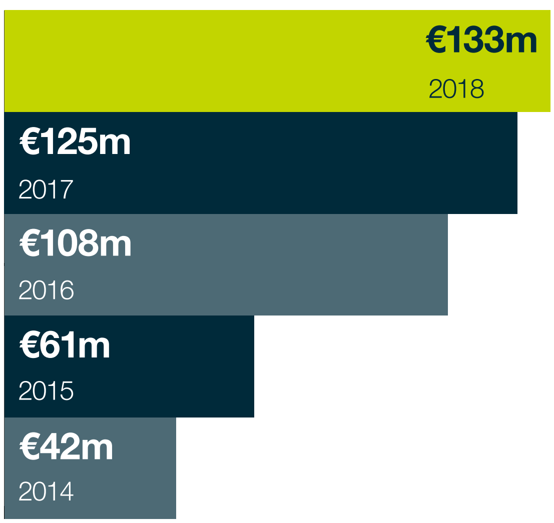
Irish retail turnover

€163m
+5%

Aeronautical turnover



Profit after taxation (pre-exceptional)



2. Build for our future

Our airport businesses require a long-term strategic focus to ensure that they can continue to develop in a sustainable manner for the benefit of all stakeholders. To do this we focus on two key areas:

Unlock capacity

- The scale of infrastructure delivery required in this strategy period to meet existing and expected passenger throughput is greater than ever before, including delivery of complex and challenging projects such as North Runway at Dublin Airport and Hold Baggage Screening systems in both Dublin and Cork airports.
- Progress a range of other capital projects to increase capacity at Dublin Airport.
- Complete the Regulatory Submission for the 2020-2024 price determination.

Licence to grow

- Raise our Sustainability ambition by selecting specific environmental areas for focus based on benefit and affordability, including pursuing ACI ACA Carbon Neutral status for Dublin Airport by 2020.
- Address the 32 million passenger planning cap to facilitate growth at Dublin Airport.
- Continue to contribute to the wellbeing of our staff, our neighbours, the economy, the environment and our shareholder through our Corporate Social Responsibility activities.

Find out more on pages 22 to 27

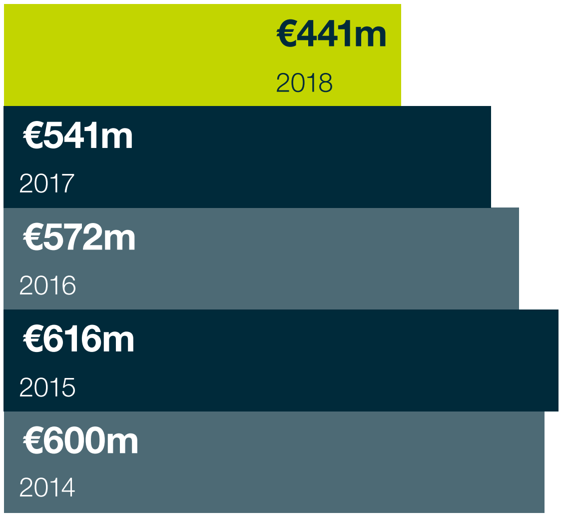
Capital commitments

€431m
+207%

Capital additions

€132m

Net debt



3. Grow our Group at home and abroad

We want to grow and expand our Group to bring the expertise that we have developed in our airports and retail operations to new markets. To achieve this we focus on the following areas:

Excel in travel retail

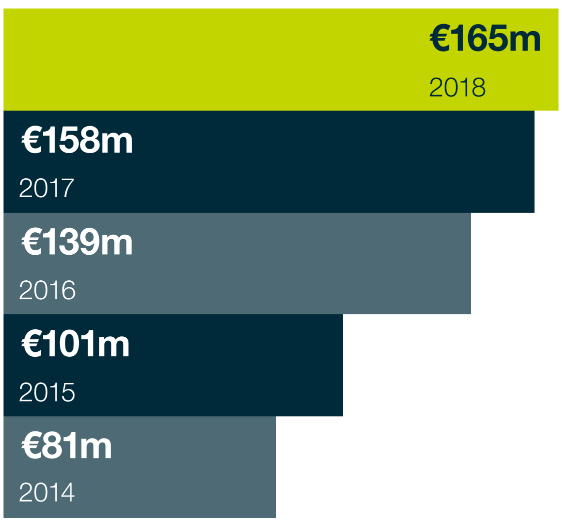
- Deliver a best-in-class travel retail business in ARI by achieving excellence in buying and retail practice.

Expand horizons

- Leverage daa's skills, assets and relationships to build a more diversified Group through our unregulated businesses ARI, daa International and Dublin Airport Central.
- Pursue the unique real estate opportunity at Dublin Airport Central by constructing and letting the two new buildings and agreeing the development approach for future phases.

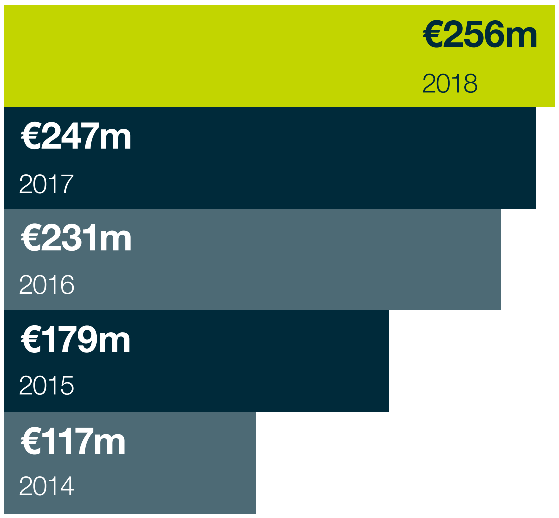
Find out more on page 55

Operating profit*



* Before exceptional items and fair value movements.

International turnover



International employees

992

+6%

Develop great people and teams that are ready for tomorrow

Our strategy is underpinned by the great people and teams that make up daa. We focus on three key areas that apply to every type of role across our Group and they are:

Build trust

- Develop capability and great leaders across the organisation.
- Improve the employee experience and attract and retain talent through our career framework and reward model.

Work efficiently

- Build a high performing organisation working together to anticipate and respond to our customer needs with a commitment to efficiency.

Harness technology

- Enable a data driven culture through investment in people, processes and modern data and analytics technology.
- Enhance digital channels, products and services.
- Continuously improve IT service excellence and optimise airport operations and workforce efficiency through technology.

Our values

Our values are the guiding principles for the way we behave and work together.

Respect each other's value
We respect each others value by finding out about each other's roles and being considerate, listening and asking questions. By collaborating as one team we build confidence in each other.

Passing the baton, not the buck
We pass the baton, and not the buck by trusting and supporting each other. By encouraging others to take responsibility and finding ways to share problems and by thinking 'how can we help'.

Brilliant at the essentials
Being brilliant at the essentials involves being an expert in whatever role our employees occupy. Being guided by the processes in place, being thorough and providing exceptional performances and recognising everyday brilliance – and above all, thinking as a customer.

Always better
We can always do better by listening to ideas and being open about making decisions and by valuing incremental improvements.

Strategy in action

North Runway makes significant progress

A long-term perspective is central to effective airport planning.

North Runway has been part of Dublin Airport's development strategy since the 1960s. A vision of a twin parallel runway system in the configuration that is now being built has existed since at least 1968.

The plans were so long in gestation that the original parallel runways were to be designated 11/29, but this had to be amended to name them 10/28 to take account of changes in the earth's magnetic poles.

The land required for this development was secured in the 1960s and 1970s. This prudent land use policy has greatly assisted Dublin Airport as it has expanded in recent years to become a top tier European airport.

The original planning application for North Runway was submitted in December 2004. Planning permission for the project was granted in August 2007 on the same day that planning permission was received for Terminal 2.

Due to the global recession and its impact on the Irish economy, the runway project was put on hold in December 2008. In April 2016, as the domestic economy had returned to growth, daa announced that the project was proceeding.

Dublin Airport's existing main runway has been the airport's workhorse since it opened in 1989. It is typically used for about 95% of flights at the airport and has facilitated more than 420 million passengers over the past 30 years.

Dublin Airport has experienced rapid growth in recent years and this has put a strain on airfield infrastructure and passenger facilities. Since 2014, passenger numbers have increased by 45% from 21.7 million to 31.5 million. The main runway is effectively full at peak times and the airport urgently requires additional runway capacity.

The development of North Runway is also a key element of the Irish Government's national aviation policy. It calls for the delivery of the new runway to allow airlines operate to global markets and to help Dublin Airport expand as a hub. Expanding airport connectivity for the benefit of the Irish economy is another key policy goal.

Preliminary works for the new runway got underway in December 2016. This initial phase included the diversion and realignment of several public roads, services diversions and site clearance. Ecological surveys and archaeological investigations were also carried out during this phase of the project.

In October 2018, following an international tender process, we awarded the main construction contract for North Runway to a joint venture comprising Irish construction company Roadbridge and the Spanish infrastructure group FCC Construcción (FCC).

Strategic linkage

31.5m

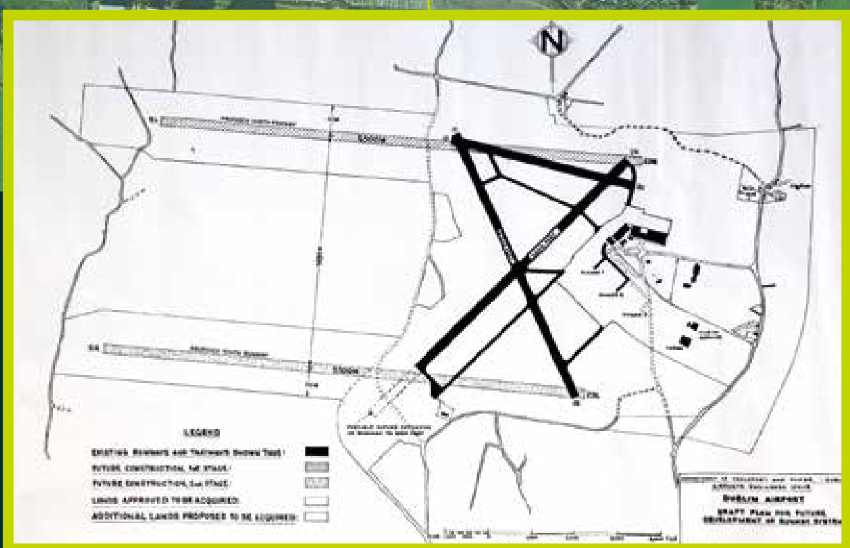
increase in passenger numbers in Dublin Airport since 2014

+45%

420m

passengers facilitated at Dublin Airport over the last 30 years

> **“Dublin Airport is our main gateway to the world and is crucial for Irish tourism, business and trade.”**
>
> **Leo Varadkar**
> An Taoiseach



North Runway has been part of Dublin Airport’s development strategy since the 1960s and a vision of a twin parallel runway system in the configuration that is now being built, has existed since at least 1968.

The new 3.1km runway is being built almost 1.7km north of Dublin Airport's current main runway – a separation that was accurately envisaged in the 1968 plans.

Post year-end, An Taoiseach Leo Varadkar TD and the Minister for Transport, Tourism and Sport Shane Ross TD performed the official sod-turning for North Runway. "Dublin Airport is our main gateway to the world and is crucial for Irish tourism, business and trade", the Taoiseach noted at the event.

North Runway is the most important piece of infrastructure that will be built in Ireland in a generation and will have a transformative impact on the Irish economy, particularly in the context of a post-Brexit environment.

A 2017 economic study by InterVISTAS showed that Dublin Airport generates or facilitates 117,300 jobs in the Irish economy – including 19,200 jobs at the airport or its environs – and €8.3 billion worth of economic activity. The delivery of North Runway will facilitate the creation of an additional 31,200 new jobs by 2043 and will add €2.2 billion to Ireland's GDP within the same period.

The bulk of this positive impact will be generated outside the aviation sector in areas of the economy such as trade, tourism and foreign direct investment and the benefits of North Runway will be felt for many years to come. More than 300 workers will be employed on-site during the runway's two-year construction phase and hundreds of jobs will also be created by related activities off-site. Roadbridge FCC will be working closely with daa and the Fingal-based development company Empower to fill as many positions as possible from within the local community.

The runway construction programme will continue to be managed in a sensitive way to have the least possible impact on our neighbours. The first package of preliminary works for North Runway, which was completed in 2017, received a Gold Award at Considerate Constructors Scheme awards in April 2018.

North Runway was the first Irish project to win a Gold Award in the scheme, which audits projects on categories such as Respecting the Community, Protecting the Environment, Care about Appearance, and Securing Everyone's Safety.

As construction of North Runway progresses, daa will continue to seek the amendment of two onerous conditions that will apply from 11pm until 7am once the new runway is built. The conditions would reduce capacity at key times of the day across the entire runway system at Dublin Airport. Their implementation would mean the airport would have fewer flights between 11pm and 7am with two runways than it currently has with one. The period between 6am and 7am is Dublin Airport's busiest time of the day, while the hour between 11pm and midnight is vital to allow Irish-based airlines to get their aircraft home to facilitate next day, early morning departures. It has never been Dublin Airport's intention to have more flights in the middle of the night.

Legislation to establish a new independent aircraft noise regulator for Dublin Airport is currently going through the Oireachtas (Irish parliament). As part of this new regulatory process, daa will make its case in relation to the two onerous conditions to the new regulator. Local communities and other stakeholders will also be able to outline their views to the regulator.

31,200
additional new jobs created by 2043*

200+
homes to be insulated

300+
workers to be employed on-site

We are acutely aware of the need to balance the concerns of local residents in relation to noise at the airport with Ireland's national and economic interests and we will continue to engage with all stakeholders in relation to this issue. Ultimately, the decision in relation to the two conditions will be made by the independent regulator.

daa continues to engage with airlines, the Irish Aviation Authority, ground handling firms and other stakeholders to minimise aircraft noise at Dublin Airport. We are also working on a series of specific noise mitigation measures within the local community.

Over 200 homes near the airport are eligible to opt into the daa insulation scheme and we have also established a voluntary scheme to buy up to 38 dwellings that are most affected by North Runway development. Owners are being offered a 30% premium on the value of their house as if the new runway was not being built.

After the two-year construction phase is complete, a rigorous period of operational readiness and testing will take place to ensure that North Runway can be safely and efficiently handed over for flight operations. Like its southern counterpart, the new runway will then play a key role in the Irish economy for decades to come.

Taoiseach Leo Varadkar and Transport Minister Shane Ross with daa Chief Executive Dalton Philips at the official sod turning for North Runway at Dublin Airport.

€2.2bn

added to Ireland's GDP by the North Runway by 2043*

€8.3bn

annual value of economic activity facilitated by Dublin Airport to the national economy*

* Source 2017 InterVISTAS report.

Our proposed Capital Investment Programme for Dublin Airport

The pace of passenger growth at Dublin Airport in recent years means that significant investment is now required across the campus.

To address capacity pinch points, we have proposed a major capital expenditure programme for the 2020-2024 period as part of the forthcoming price determination by the Commission for Aviation Regulation (CAR).

The Capital Investment Programme 2020+ (CIP 2020+) proposals followed an extensive consultation programme with airline customers and other key stakeholders, which included a series of pre-consultation meetings and also a formal consultation process. The 117 projects within the plan reflect stakeholder views and were developed in line with the principles of efficient capital expenditure.

The programme is designed to enable Dublin Airport to develop in a sustainable manner so that it can properly accommodate 40 million passengers per year over the medium term. This will be done by building new aircraft parking areas, passenger boarding gates and expanding and enhancing a range of other facilities. North Runway is not part of CIP 2020+ as the funding for this project was considered during a previous capital investment programme.

To allow our airline customers to continue to grow their business at Dublin, we propose to invest an estimated €1 billion in new capacity divided between the northern and southern ends of the existing airport campus. The proposal also includes a €200 million spend on airfield improvements and a €120 million annual investment in extending the life or maintaining the existing asset base and certain commercial projects.

Within the CIP proposal, almost €450 million will go towards new facilities and upgrades in the area around Terminal 1, while €570 million will be invested in a series of developments in the southern areas of the campus close to Terminal 2.

Two new boarding areas will be delivered, and extensions and enhancements will be made to some existing gate facilities. A 23% increase in aircraft parking stands will be delivered.

Check-in facilities will be enhanced in both terminals, and additional space will be made available for both the immigration and US pre-clearance functions. The security search area in Terminal 2 will be enlarged, while in Terminal 1, it will undergo a significant reconfiguration. Investments will also be made to the baggage reclaim hall in Terminal 1.

The quality of service offered to customers using Dublin Airport remains a key consideration for daa. The new facilities that will be delivered within the CIP 2020+ period have been designed to enhance the passenger experience and maintain a good level of service quality to the growing number of travellers who use Dublin Airport each year.

CAR, which sets charges at Dublin Airport, is currently assessing the 543-page CIP 2020+ document in the context of its next price determination. A draft determination is due to be published during the second quarter of 2019, and following submissions from interested parties, a final determination is expected to be published in the autumn.

117

separate projects are included within the proposed capital programme

Strategic linkage

€200m
proposed airfield spend

€120m
proposed investment to maintain existing asset base

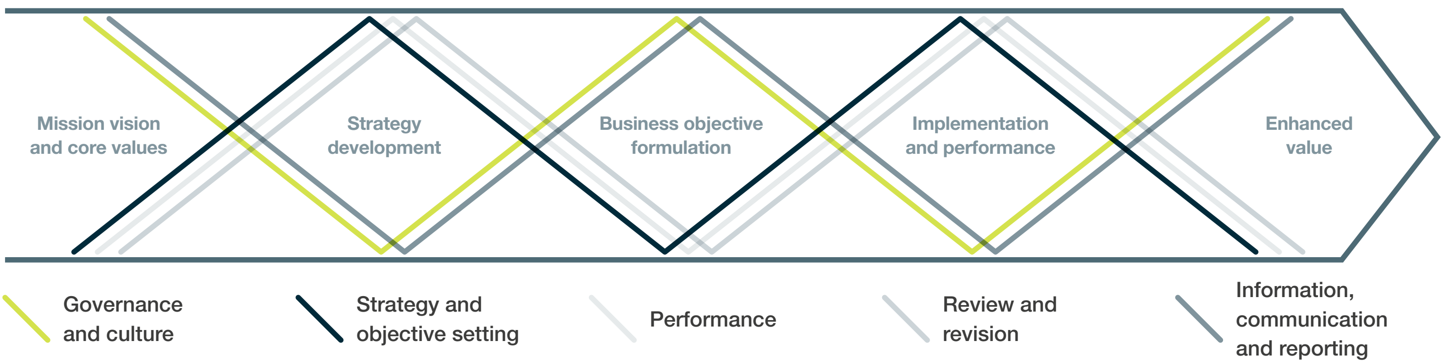
€450m
new facilities and upgrades near Terminal 1

€570m
investment in a series of developments near Terminal 2

The new facilities that will be delivered within the CIP 2020+ period have been designed to enhance the passenger experience.

Risk management

The Board has overall responsibility for risk management. Risk management is an integral part of decision making in the Group.



It encompasses enterprise level risk management at Board and Executive level together with local management of operational risks related to such areas as safety and security. Risk is managed in accordance with the principles of the best practice COSO (Committee of Sponsoring Organisations of the Treadway Commission) methodology. In order to maximise value to the Group across all activities, risk management is integrated into key aspects of operating the business, ranging from defining the organisation's culture and vision through to the development and implementation of the business strategy and performance review.

The COSO risk framework, above, has been implemented within daa as follows:

Governance and culture: daa has established Board and committee structures with risk management oversight responsibilities. daa's Values reflect high ethical standards, and the organisation has developed and implemented Group policies to reflect these. There is a strong focus within the Group on performance and accountability.

Strategy and objective-setting: Risk is considered in the development of the strategy and as part of objective setting at business unit level. The organisation has developed risk appetites for business areas and activities.

Performance: Group performance is regularly assessed. Risks to the delivery of the strategy and objectives are captured, assessed and reviewed at local and/or enterprise level as appropriate. Where necessary, risk mitigations are identified, implemented and their effectiveness monitored.

Review and revision: Drivers of change in the internal and external environment are identified and considered in terms of their impact on the management of enterprise and business unit level risks. Process enhancements are introduced where appropriate.

Information, communication, and reporting: Relevant internal and external information on key risks and changes in risk profiles and/or appetites are discussed and reported through the organisation as required to support effective decision making. Business risk workshops and regular update reviews are held at business unit level, together with reviews with the Executive Risk Committee and Audit and Risk Committee to support this process.

The Group's risk management system is subject to continuous review in order to remain effective in a business environment that is challenging and continually evolving.

Risk appetite

The Group's risk appetite profile varies across different areas and activities of its business:

- Given the diversification of daa's business and its growth objectives, the Board is willing to tolerate a moderate level of risk in pursuit of strategic objectives.
- Recognising that there is a trade-off between risk and reward, the Board achieves a balanced risk appetite by taking a prudent approach to ensuring the business is adequately financed. Thus, daa is not prepared to take risks that would jeopardise an investment grade credit rating.
- The Board prioritises the safety of passengers, visitors and staff, and hence its risk appetite in the areas of safety and security is very low.
- daa takes measures to identify and manage other business and operational risks. Achieving standards set in relation to maintaining critical systems, protecting data and delivering excellence in customer experience are also areas for which there is a low risk appetite.
- Based on a low risk appetite for compliance and regulatory issues, daa seeks to ensure that compliance activities meet the requirements of relevant regulations.

Principal risks

As part of the risk identification process, the principal areas of risk and uncertainty which could materially adversely affect the Group's business, financial condition or results of operations have been identified. A summary of the principal risks and uncertainties as well as the strategies being adopted to mitigate them are set out below. This is not intended to be an exhaustive analysis of all the risks and uncertainties which may arise in the ordinary course of business. The risks and uncertainties are assessed on a continual basis and management regularly report to the Board on significant changes in the business and external environment.

Strategic linkage

- Reach new heights at our airports
- Build for our future
- Grow our Group at home and abroad
- Develop great people and teams that are ready for tomorrow
- Increase the value of our business

Risk area	Risk description	Mitigation	Strategic linkage
Economic	A significant change in the current cycle of growth as a result of global or local political or economic changes leading to a sustained economic slowdown could adversely impact the Group's business and consequently daa's financial performance. Specifically, there is currently uncertainty in relation to the impact of Brexit on traffic between Ireland and the UK (one of the largest market segments at both Dublin and Cork airports), with the severity of the impact related to the nature of the final Brexit deal. In addition to macro-economic impact on the level of traffic, other potential areas impacted by Brexit include the operation of the Common Travel Area and the European single aviation market, border controls, cargo handling, certification of equipment and aviation personnel.	The factors underlying economic growth risk are external to daa, but nonetheless such developments are actively assessed as part of the Group's risk management process. The Group has focused growth targets, including diversification strategies to minimise dependence on specific markets and/or activities. While a significant proportion of the daa cost base is fixed, if required, daa could reduce or delay capital expenditure and implement other cost saving measures within a relatively short period of time. The Group drives continuous process improvement to improve efficiency, increase flexibility and proactively manage its cost base. Although Brexit related risks are ultimately being managed at a national and European level, daa has engaged in various industry, national and European fora to assess the impact of Brexit, and insofar as possible, influence national responses and policy during the negotiation process to ensure the challenges to aviation are well understood and mitigated to the greatest extent possible. In relation to specific Brexit operational impacts, daa has developed contingency plans for a range of Brexit scenarios, including consideration of opportunities arising from Brexit.	
Strategic	The growth in recent years of online retail operators is an emerging market disruptor, which may impact on the Group's retail performance.	The Group researches customer behaviour to understand how the requirements of its customers are changing in relation to access and distribution technology as well as product choice, so as to adapt rapidly to new conditions. The Group refreshes the choice of offerings at its airports in light of market research. The Group continues to use new technology to enable it to offer excellent value and choice to online and in-store customers and is in the process of upgrading its current online offering.	

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Risk area	Risk description	Mitigation	Strategic linkage
Policy and regulatory	Uncertainties exist regarding future policy and regulatory decisions which could have a substantial and negative impact on daa's investment plans, business model, its competitive and financial situation and prospects. Risks of this kind include, but are not limited to, the following: – The recently published 'Review of the Capacity Needs for Ireland's State Airports' raised the possibility of an independent third terminal at Dublin Airport, although the consultant noted the significant risk associated with such a development. The findings are currently the subject of a public consultation process and it is understood that the Minister for Transport, Tourism and Sport intends to make a recommendation to government on this matter in 2019. – Airport ownership and competition (including the feasibility of establishing Cork as an independent airport).	Aviation legislation mandates that daa is to manage, operate and develop Dublin and Cork airports. To facilitate fully informed decisions in relation to the capacity review at Dublin Airport, daa provided strong input into the associated consultation processes. These highlighted the significant range of challenges and risks implicit in a proposal for an independent third terminal, as well as the opportunities for more cost effective and operationally coherent developments within the existing terminals' design. The Group leverages its strength to drive development at Cork Airport and engages widely with relevant stakeholder groups at a local, regional and national level.	
	The Commission for Aviation Regulation (CAR) will, in 2019, issue a new Determination on the maximum level of airport charges to be levied at Dublin Airport. If the maximum permitted level is set too low, this could impact the ability of the Group to develop the airport and grow its business. Decisions by CAR on the level of remuneration of specific capital investment projects could impact on the ability of the Group to put adequate investment in place in a timely manner. As a result, the Group's credit rating could be impacted, which could impact the Group's profitability and return.	Detailed submissions to CAR have been prepared by daa to support its business forecasts, which have included comprehensive information on planned infrastructure projects. Extensive consultation has taken place to raise awareness of planned developments amongst stakeholders and to ensure investment supports airline growth plans.	
	Failure to adhere to EU security regulations could have significant operational, reputational or financial impacts for daa. New or amended EU security regulations could impact traffic growth rates or lead to additional costs.	Staff training in security, as well as strong emphasis on monitoring compliance, form an integral part of daa's mitigating strategies designed to ensure the security of customers, passengers and staff. Rigorous policies and procedures are in place and are supported by ongoing training and investment in security systems.	
	A range of laws, regulations and standards pertaining to such areas as occupational health and safety (including aviation safety) are applicable in each jurisdiction in which daa operates. There are risks that laws or regulations may be breached or that new burdensome laws or regulations may be introduced.	The Group reviews regulatory requirements in relation to safety management and updates its safety management systems as appropriate.	
	As new and more challenging regulations and standards are introduced in relation to environmental and sustainability management, including such areas as climate change mitigation, daa may face risks arising from inadvertent non-compliance with regulatory targets leading to financial penalties and/or operational constraints, compromising daa's reputation and license to grow.	The Group is implementing an updated sustainability programme aligned to its corporate strategy to ensure appropriate and timely investment in key infrastructure and facilities. In addition, the Group participates in national discussion fora to ensure that the challenges for airports are well understood, and that there is an understanding of the need for alignment of airport regulatory policy with national and EU policy in relation to such issues as climate change mitigation and energy efficiency. Environmental risks are managed through operating an environmental management system, which ensures key risks are assessed and suitable mitigations identified as appropriate, with performance regularly monitored and results overseen by management and Board.	

Risk area	Risk description	Mitigation	Strategic linkage
Capacity and capital investment	The expansion of airport facilities and increasing throughput is subject to planning decisions and planning restrictions that could constrain expansion or negatively impact on the delivery of capacity and the efficient operation of the infrastructure. The new regulatory framework implementing EU Regulation 598/2014 will result in new processes that may lead to longer timelines for securing planning and/or the introduction of unfavourable planning conditions.	Planning applications are submitted as required to facilitate the development and expansion of airport infrastructure. Planning applications and formal consultation processes with key stakeholders and regulatory authorities in relation to capital investment requirements associated with growth scenarios are appropriately justified in the context of the policy framework (i.e. The State's National Aviation Policy (NAP)) and airport masterplan. The Group engages in consultation processes with regulatory authorities to seek to understand any new processes and requirements and minimise the impact of regulatory processes associated with planning.	
	North Runway at Dublin Airport would, pursuant to the 2007 planning permission, see the introduction of runway movement restrictions for the first time at Dublin Airport, including a limit of 65 movements between the hours of 2300 and 0700. A new regulatory framework, implementing EU Regulation 598/2014 which provides for an open, transparent and balanced approach to noise management at airports, is being implemented, through which noise related operating restrictions will be assessed. Fingal County Council has been designated as the Competent Authority for noise. If, following its review, these proposed operating restrictions continue to have application, there is a risk that runway movements may be curtailed at certain times at levels which are significantly below those which currently prevail and would have serious operational implications and financial impact.	daa is developing a case to amend the proposed operating restrictions on movements in relation to North Runway to be presented to the newly designated Competent Authority in relation to noise at airports, Fingal County Council.	
	The planning constraints of a 32 million cap on passenger throughput at Dublin Airport linked to Terminal 2 planning conditions may constrain or delay the development of the airport, delay the delivery of infrastructure, impose additional costs or operating conditions, any or all of which may lead to insufficient capacity to meet expected future demand.	Work on a planning application in relation to the 32 million cap on passenger throughput at Dublin Airport is underway.	
	Risks to the delivery of significant capital projects, including North Runway, may arise due to cost (including construction price inflation), project scheduling or operational factors, leading to delays in project completion, additional costs and/or consequential capacity shortfalls.	daa has processes and procedures in place for capital investment programme management, project management and contract and supplier management.	

Strategic linkage

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Grow our Group at home and abroad

Develop great people and teams that are ready for tomorrow

Increase the value of our business

Risk area	Risk description	Mitigation	Strategic linkage
Operations	As an airport operator, and particularly with large capital projects taking place in a busy and growing Dublin Airport, daa is subject to operational risk of accidents or incidents at its airports, which could result in harm to people or damage to infrastructure, property and the environment. Other unforeseen risk events, such as those arising from terrorism and sabotage, drone operations, fires, flooding, wind, interruptions to power supplies and other technical failures. Such risks and hazards could result in harm to people or damage or destruction to infrastructure, property and the environment. Less serious events could alternatively cause delays for airlines and passengers. Such events could cause revenue loss and potential legal liabilities for the Group.	daa has a strong safety culture and supporting processes and procedures which emphasise the importance of safety. To reduce the likelihood and impact of an accident, daa manages safety risks through a structured safety management system (SMS) which was reviewed by the Competent Authority (IAA-Safety Regulation Division) as part of the certification of Dublin and Cork airports under the new EASA safety regulations. In 2018, Dublin Airport's safety management system was certified to the new ISO 45001 standard. Staff training in the areas of health, safety and environment, as well as a strong emphasis on monitoring compliance, forms an integral part of the Group's mitigation measures designed to ensure the safety of customers, passengers and staff, the protection of the environment and the prevention of a serious breach of statutory or other regulatory obligations. The Group seeks to manage both the event likelihood and severity of service discontinuity by having well developed continuity plans and resilience in its key systems and processes. Where events result in disruption to services, the Group activates its business continuity plans in order to minimise the impact of the disruption and return to normal service as quickly as possible. Insurance is also in place and the level of cover is regularly reviewed.	
	The Group's economic activity at airports is dependent on airlines. Business risks may arise for daa due to changes in the strategic direction of key airlines operating either to/from daa airports or those airports in which daa has significant business interests. Such changes include restructuring of route networks, consolidation of the airline industry, a change in ownership/control or changes to airline safety records.	daa works closely with its airline customers to understand and align, as far as possible, with their future development needs and strategies.	
	daa is in the process of procuring and implementing Standard 3 hold baggage screening equipment at its airports. There is a risk that relevant authorities may require temporary additional operational measures to be put in place, pending full implementation of the new technology, resulting in throughput delays or other impacts on the operation.	A project is underway to implement the upgrade in line with requirements, and discussions are ongoing with the Competent Authority (IAA-Safety Regulation Division) and relevant stakeholders.	
	The Group undertakes ongoing maintenance of the assets at Dublin and Cork airports (including plant, equipment and systems) with the objective of providing a continuous service. Any failure or impairment of a key asset, including the main runway, could cause a significant interruption to the supply of services and/or impact on the ability of airlines and other service providers to provide their services at the airports.	An ISO 55001 certified planned maintenance and rehabilitation programme is in place for key assets such as airfield pavement infrastructure (runways, taxiways and apron areas) and other operationally critical assets to minimise the risk of disruption caused by unplanned availability restrictions or outages.	
	The Group's ability to manage its operations and engage in critical business tasks is dependent on the efficient and uninterrupted operation of its information technology systems. The Group could also be negatively impacted by cyber-attacks, data breaches or similar incidents involving a significant disclosure, loss or theft of personal data.	The Group operates with a high level of resilience in information technology systems and processes, supported by dedicated resources including a strong focus on cybersecurity and data protection. Disaster recovery tests and business continuity plans exist to minimise the risk of significant disruption arising from a failure in information technology systems. The Group also invests in upgrading of critical services' infrastructure and ensures robust back-to-back agreements with suppliers supporting critical infrastructure. The Group regularly reviews its security awareness controls; it has recently strengthened controls in certain areas and put in place enhanced controls for monitoring cybersecurity.	

Risk area	Risk description	Mitigation	Strategic linkage
Operations (continued)	As a service-led business, daa is reliant on sufficient trained skilled personnel to provide services across the Group on a continuous basis. There are recruitment and retention risks in a strong labour market. There is also a risk that industrial action could affect critical services and curtail operations.	daa seeks to be an employer of choice underpinned by a solid employee value proposition, providing rewarding careers and continuously investing in staff training and development to build a high performing organisation. daa engages with the relevant trade unions on an ongoing basis with respect to employment-related matters. Internal dispute resolution mechanisms are in place and whenever necessary, the employee relations mechanisms provided by the State are utilised.	
International operations	The Group operates in a range of countries, some of which are at different stages of development. Consequently, there are risks arising from uncertain or potentially fast-changing economic, social and political environments, changes in laws or regulations, premature contract termination or breach of agreements and/or failure of the underlying businesses. ARI and daa International face increasing levels of competition in the sectors and markets in which they operate. Certain of the international retail concession contracts within the Group are subject to fixed price arrangements which include guaranteed minimum concession fees which are supported by performance bonds, letters of credit and/or guarantees by subsidiary or associated undertakings. Contracts may have limited entitlements for the Group or its subsidiaries/associates to vary without renegotiation. Concession contracts can be varied or terminated for various reasons. Failure of counterparties or partners to fulfil or meet their obligations could have a material impact on the Group.	In line with the daa risk appetite, the Group seeks to control the level of investment and/or exposure it has to adverse impacts, including those of its overseas activities. Higher investment return thresholds are targeted for higher risk locations. The Group proactively manages its relationships with partners and has put structures and processes in place to safeguard its interests including shareholder agreements and commercial counter-party arrangements. The Group maintains Board representation in joint ventures and monitors the legal, operating and economic environment, and compliance with regulatory and governance requirements in the countries within which it operates. It obtains professional advice where necessary. The Group seeks to put in place appropriate commercial and legal arrangements and has processes in place to evaluate and monitor performance of contracts so as to minimise the risk of calls by counterparties being made on any bonds, letters of credit or guarantees. Group cash holdings are minimised in overseas locations, especially where the risk of fast-changing economic, social and political conditions is assessed as high.	
Financial and treasury	The Group is required to fund investment primarily out of cash generated by the business and borrowing from the debt markets and without access to equity. Hence the Group's credit rating and in turn business profile and key financial ratios are relied on to have regular, reliable and appropriate access to the debt markets. Government and Regulatory policy, as well as financial and business performance and prospects, impact the Group's credit rating. While the Group has adequate funding to commitment and forecast short-term requirements, any material change to these matters may impact the Group's credit rating and in turn affect the future availability and cost of funding, the borrowing capacity of, and financing terms and flexibility available to the Group. The Group is exposed to certain financial and treasury-related risks, including liquidity risks, credit risk, interest rate risk and foreign currency exposures.	Board approved policies are in place to address key treasury risks. Maintaining an appropriate credit rating is a key objective for the Group and appropriate capital allocation across the Group is a key area of focus. A prudent approach is adopted to the management of liquidity including pre-funding significant investment requirements. Sufficient headroom is maintained to commitment and forecast short-term funding requirements.	

Dublin Airport: Ireland's gateway to the world

Dublin Airport had another record year in 2018.

Passenger numbers increased by 6.5% to 31.5 million, as the airport processed an additional 1.9 million passengers and enjoyed its eighth consecutive year of growth.

Short-haul traffic increased by 5% to 26.5 million, while long-haul passenger numbers were up 16% to almost 5 million. All sectors of the market saw growth.

Dublin Airport welcomed 16 new routes and six new airlines last year. New routes included services to Beijing, Hong Kong, Montréal and Seattle and airlines such as Cathay Pacific, Hainan Airlines, and Icelandair began operating at Dublin.

It has been a long-held ambition to have direct services to the Asia-Pacific region and the advent of these new services with Cathay Pacific and Hainan was a very significant milestone, not just for Dublin Airport, but for the entire Irish economy.

There were also capacity increases on 22 existing services during the year in the form of additional frequencies or larger aircraft operating on existing routes.

Traffic to continental Europe, which is Dublin Airport's largest market, increased by 7% to almost 16.3 million passengers. UK traffic was up 1% to 10.1 million passengers. A small decline in those travelling on provincial British routes was more than offset by growth in the London market.

The weakness of sterling and concerns about Brexit on the UK economy impacted traffic to and from Britain last year. This is likely to be a more significant issue during 2019, as Brexit has the potential to have a substantial impact on the UK economy and on leisure travel from Britain.

Transatlantic traffic had another strong year, with passenger numbers (including transits) increasing by 16% to 4 million. Transatlantic has been the fastest-growing segment of Dublin Airport's market in recent years and has almost doubled in size since 2014. Just over 1 million passengers took flights to and from destinations in Asia, the Middle East, and Africa, which was a 17% increase on the previous year.

Dublin Airport continued to strengthen its position as a key gateway between Europe and North America in 2018. During the peak summer schedule, Dublin Airport had 222 weekly departures to 16 airports in the United States and four airports in Canada. It was ranked as the sixth best connected European airport to North America after London Heathrow, Paris Charles de Gaulle, Frankfurt, Amsterdam Schiphol and London Gatwick.

Connecting passenger numbers increased by 18% to 2.1 million, which was a combination of transfer traffic – passengers who change aircraft at Dublin – and transit traffic. During the year, we opened a new €16 million dedicated transfer facility in Terminal 2 to help expand this business and improve transfer times and the overall passenger experience for customers.

Short-haul traffic

26.5m
+5%

Long-haul traffic

5m
+16%

Traffic to continental Europe

16.3m
+7%

About 29.4 million passengers started or ended their journey at Dublin Airport last year with the remainder using Dublin as a hub. Transfer traffic has a significant positive impact on the Irish economy, as it underpins the viability of new and existing routes, thereby improving Ireland's overall connectivity.

Dublin Airport has a good pipeline for continued traffic growth, with 21 new routes already announced for 2019. These include five new services to North America – Dallas-Fort Worth, Minneapolis-St Paul, Calgary, Hamilton Ontario, and Halifax, Nova Scotia – a new direct service to Shenzhen in China, and new short-haul services to cities such as Gothenburg, Kyiv and Split.

Dublin Airport's turnover passed the €500 million milestone last year. Aeronautical turnover increased by 4% and commercial and other turnover increased by 10%, which was ahead of passenger growth.

Car parks turnover increased by 10% mainly due to higher occupancy in both short-term and long-term carparks and improved yield management. Turnover has also increased in the travel services business with more lounge and fast track customers and greater use of our Platinum Services private terminal.

Professional services company Grant Thornton agreed a three-year partnership to sponsor the Fast Track product in both terminals last spring and there is potential for this type of agreement to be put in place in other areas of the business.

Passenger numbers

31.5m
2018

30m
2017

28m
2016

25m
2015

22m
2014

Passenger numbers at Dublin Airport 2018

31.5m

+6.5%

UK traffic

10.1m
+1%

Connecting passengers

2.1m
+18%

During the year, a new Future Factory innovation and business development hub was established within Dublin Airport. Its aim is to generate new business and transform existing processes, working with the airport and its partners through a hothouse style programme. It is currently working on 15 projects.

The overlay of the airport's main runway 10/28 was successfully completed during the year and rehabilitation works began on the secondary 16/34 runway. As detailed on page 22, the contract for the main construction element of the new North Runway was signed in October. Preparatory elements of these works got underway shortly before the year-end.

Works to the departures floor of Terminal 1 were completed in May, and a project is currently underway to upgrade the façade of the building. The improvements that have been made to T1 over the past three years have transformed the passenger experience in the terminal by adding more natural light and modernising the departures and arrivals areas.

We made good progress on Dublin Airport Central, which is a major new property development for commercial tenants at the centre of the Dublin Airport campus. The two headquarters-style office blocks and a new outdoor urban realm are proceeding at pace and market interest is strong.

US food giant Kellogg agreed to become the anchor tenant at THREE Dublin Airport Central during the year and will occupy two and half floors of the new six-storey building. We also advanced our plans for a new terminal-linked hotel adjacent to Terminal 2.

Dublin Airport recruited 124 additional staff last year to meet our customers' needs and continued to focus on maintaining its high customer service scores, which are benchmarked with our peers across Europe.

In that context, it was pleasing to note that the annual Reptrak survey, which is based on data collected from the public, found that Dublin Airport had the ninth best corporate reputation in Ireland in 2018. Dublin Airport was ranked ahead of companies such as Google, Microsoft, and BMW in the study.

222

weekly departures in summer 2018 to North America

+10%

Car park turnover

16

new routes in 2018

6

new airlines in 2018

Cork Airport: Ireland's second largest airport

Cork Airport had a positive 2018, with passenger numbers increasing for the third consecutive year.

Overall traffic has increased by 16% during the past three years and this growth trajectory has solidified Cork's position as the State's second largest airport.

Traffic increased by 4% from 2.3 million to 2.4 million passengers last year, due to the impact of three new routes and the expansion of 14 existing services.

Air France Hop! launched a new daily service to Paris-Charles de Gaulle in May, providing an additional choice for passengers and offering onward connections through its route network. The success of this new service was evidenced by Air France's decision to expand capacity on the route by 24% in October through the use of a larger aircraft.

Ryanair introduced a new six times-weekly service to London Luton in October and in the same month, Aer Lingus started a new twice weekly service to Lisbon. Continental European traffic increased by 7% to almost 1.1 million, while UK traffic was flat during the year at 1.3 million passengers.

The additional traffic boosted both aeronautical turnover, which grew by 3%, and commercial turnover, which increased by 8% from 2017. Cork Airport's car parks performed ahead of traffic growth, and the new Executive Lounge has proven popular with passengers. Lounge visits were up almost 50% in 2018, even though the new product only traded for eight months of the year.

Income from food and beverage operations also increased, due in part to the impact of a full-year of trading for several outlets that opened during 2017.

There were several significant announcements of new capacity during the year, the benefits of which will be seen in 2019 and beyond.

2.4m

passengers at Cork Airport in 2018

+4%

Continental European traffic

1.1m

+7%

Executive Lounge visits 2018

+50%

Ryanair will launch new year-round services to Budapest, Malta and Poznan in April, and a new summer service to Naples in July. Aer Lingus will launch summer services to Dubrovnik and Nice in May. Seven existing routes will also see capacity growth. Norwegian's Cork Providence route is due to resume in April and will operate through the summer and autumn.

We continue to work closely with our existing customers and potential new airlines to grow traffic at Cork and offer more choice to passengers, who can currently fly on more than 50 routes to destinations in the UK, Europe and the United States from Cork.

Our success in this area received global recognition during the year, as Cork Airport won the World Routes 2018 Marketing Award for airports with under four million passengers per year. The award, which celebrates excellence in aviation marketing, was Cork Airport's second major international accolade in two years.

In 2017, thanks to the high quality of its overall passenger experience, Cork was named Airport Council International's (ACI) Best Airport in Europe in the category for airports under five million passengers per year.

Cork Airport works closely with Tourism Ireland, Fáilte Ireland, its airline partners and other stakeholders to grow visitor numbers to the region and has had significant success in this regard in recent years. In 2012, inbound passenger numbers accounted for less than 30% of overall Cork Airport traffic. Data for 2018 shows that the share of inbound traffic had increased to more than 40%.

The combination of the new routes and services introduced in 2018 and the new business announced for this year, provides a positive outlook for Cork Airport in 2019.

40%+

share of inbound traffic at Cork Airport


ASPIRE

ARI: daa's travel retail subsidiary

ARI is the Group's travel retail subsidiary, and also holds our equity investments in overseas airport operations.

ARI manages its own outlets at Dublin and Cork airports in Ireland and has interests in travel retail businesses in Europe, North America, the Middle East and Asia-Pacific.

In Ireland, ARI operates our retail business, The Loop, at Dublin and Cork airports and also manages a number of retail concessions at the two airports. Total sales at Dublin and Cork airports, including retail and food and beverage sales by concessionaires, increased to €331 million in 2018.

During the year, several new units including Avoca and Spectrum opened at Terminal 2 as part of a phased upgrade of more than 2,000sqm of airside retail space. The award-winning liquor store also underwent a major refurbishment.

ARI's international business experienced strong sales growth in 2018 with a strong like-for-like sales growth across the international portfolio and an improved gross margin performance. Margins continued to increase through ARI's central global buying structure.

Group profit on ordinary activities after taxation was €13 million compared to €30 million in 2017. The repricing of certain material retail concession contracts in 2018 following competitive tenders resulted in a significant reduction in the share of profits from associated undertakings and joint venture undertakings, decreasing by €13 million to €17 million. Furthermore, the costs of a restructuring programme in ARI's Cypriot operations and the ongoing investments in its ARI 2020 strategic programme also impacted profits.

ARI's joint venture operations at Delhi International Airport, where we hold a 33.1% stake, had another record year of strong sales growth, with turnover almost 15% above 2017.

ARI Middle East (ARIME), which has businesses in Bahrain, Lebanon, Qatar, Oman and Cyprus, had a challenging year in 2018, due primarily to the repricing of concession contracts in Muscat and Beirut, combined with adverse foreign exchange movements. Results in Bahrain and Qatar for 2018 were satisfactory, with both retail locations trading above 2017 levels.

With the opening of the new international terminal in Muscat in March 2018, ARIME's joint venture commenced a new 10-year concession license. The operation had improved sales and margin results, but the repricing of the new license has resulted in a lower profit contribution for ARIME and its partner Oman Air. The passenger average spends in Muscat continue to be challenging due to the combination of increased numbers of transfer passengers, shorter dwell times, and lower baggage limits imposed by airlines to Asia.

Delhi International Airport 2018 turnover

+15%

The much-anticipated Midfield Terminal at Abu Dhabi's International Airport is now scheduled to open in late 2019. ARIME will operate various stores at the new terminal including perfume and cosmetics, sunglasses and jewellery outlets.

ARI's retail operations in Cyprus at Larnaca and Paphos airports had a challenging year. The positive impact of passenger volume growth of 7% at both airports was offset by declining passenger average spends from the key Russian market. As a result, the sales performance was broadly flat year-on-year. The growth in traffic did benefit Hermes Airports, in which ARI has an 11% stake.

ARI's retail operations in Canada and Auckland had a strong sales performance in 2018. Canada sales increased by 7% and Auckland sales increased by 11%. Auckland benefitted from a major investment in the new flagship departures store, which was completed in December 2017.

ARIME continues to provide management support services to the duty paid operation in Terminal 5 at King Khalid International Airport, Riyadh, Saudi Arabia. The first of these outlets opened in January 2018 under a seven-year contract.

Total sales at Dublin and Cork airports*

€331m	2018
€323m	2017
€302m	2016
€273m	2015
€227m	2014

* Includes retail and food and beverage sales by concessionaires.

Cyprus passengers

10.9m
+7%

Düsseldorf

24.3m
-1%

International turnover

€256m
+4%

During the year, ARI acquired a 50% stake in a retail operation that began trading in Terminal 3 of Jakarta's Soekarno-Hatta International Airport in 2017. The five-year contract tenure has not yet commenced, as all airlines have yet to transfer over to the recently built Terminal 3, albeit that the shops are fully completed and trading.

ARI holds the Group's 20% shareholding in Düsseldorf Airport. Despite a marginal fall in passenger numbers in 2018 to 24.3 million passengers which was due to the collapse of Air Berlin. Originating and departing passengers are up on 2017 and a full recovery of passengers is expected in 2019. The Group's investment in Düsseldorf Airport continues to make a positive profit and cash contribution to the Group with the profit increasing by 8% in 2018.

ARI, through its subsidiary CTC-ARI, owns the travel retail offering at Larnaca and Paphos in Cyprus in addition to a joint venture shareholding in the Food & Beverage operation at both airports. Passenger numbers increased by 7% to end the year with 10.9 million passengers.

In 2018, ARI won several significant prestigious international awards for its retail offering. Duty Free News International awarded the accolade of Best New Store for the expanded and renovated Liquor Store in Terminal 2 at Dublin Airport. The T2 Liquor store also won the Icons of Whisky Travel Retail award from Whisky Magazine. Drinks International awarded ARI the Marketing Campaign of the Year for its 'Spirit of Gin' campaign.

ARI (North America) was named Best Canadian Duty-Free operator for the third year in a row at the Frontier Duty Free Association Convention. Delhi Duty Free won the Spirits Awards Indian Duty Free of the Year. Muscat Duty Free, in partnership with Oman Air, won Inflight Retail Operator of the Year for the second consecutive year at the prestigious Frontier Awards in Cannes in October 2018.

Ray Hernan was appointed ARI Chief Executive in August 2018. Ray has a strong record of achievement in Chief Executive and senior leadership roles in retail and transport companies.

+7%
retail sales operations in Canada

+11%
retail sales operations in Auckland

The expanded and renovated Liquor Store in Terminal 2 at Dublin Airport was awarded the accolade of Best New Store by Duty Free News International.

daa International: our international airport services company

daa International (daal) was created to provide international advisory and airport management services.

passenger numbers at KKIA, Terminal 5

14.7m

+13%

daa International is now in the third year of a five-year management contract to operate Terminal 5 (T5) at King Khalid International Airport (KKIA) in Riyadh, Saudi Arabia.

T5 is a domestic terminal at KKIA and passenger numbers grew from 13 million in 2017 to 14.7 million in 2018. daal improved the Airports Council International's Airport Service Quality (ASQ) programme scores at Terminal 5 to a record level in 2018. ASQ is a global benchmarking standard that measures passengers' satisfaction travelling through an airport.

daal also won a short-term contract in December 2018 to operate the Private Aviation Terminal at KKIA. daal delivered several training courses for Riyadh Airports Company (RAC) during the year and most new senior daal positions at KKIA now support RAC in cross-airport roles.

In 2018, daal also delivered advisory services in Oman, the Philippines and Bahrain. It is actively involved in several bids for operational, commercial and facilities management contracts and long-term concessions in the Middle East, Southeast Asia and Eastern Europe.

In 2018, daal put in place a new senior management team. Nicholas Cole, formerly General Manager at Terminal 5, was appointed daa International Chief Executive in late 2018. He has more than 15 years of airport operations management experience, having previously held senior roles with Oman Airport Management Company and Heathrow Airport Holdings.

Record turnover driven by increase in airport activities

“The 2018 results reflect an improved performance across the Group, with strong growth in turnover, EBITDA and operating profit. Group profit for the financial year grew by €7.5 million (6%), with increases in profit from domestic airport activities and lower debt costs being partially offset by lower international retail profits.”

Ray Gray
Group Chief Financial Officer

Profit for the financial year

€133m

+6%

A summary of the key Group financial results are shown below.

Profitability (€'m)	2018	2017
Group turnover	**897**	855
Growth %	**5%**	8%
Group EBITDA [1]	**289**	271
Growth %	**7%**	9%
Group profit after tax – before exceptional and fair value movements	**133**	125
Exceptional and fair value movements	**7**	5
Group profit after tax – after exceptional and fair value movements	**140**	130

Key ratios	2018	2017
Group EBITDA: Net interest charge [2]	**9.8x**	6.7x
Net Debt: Group EBITDA	**1.5x**	2.0x
Group EBITDA: Group turnover	**32%**	32%
Return on average equity [3]	**10.1%**	10.1%

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

Operating profit before exceptional items and fair value movements

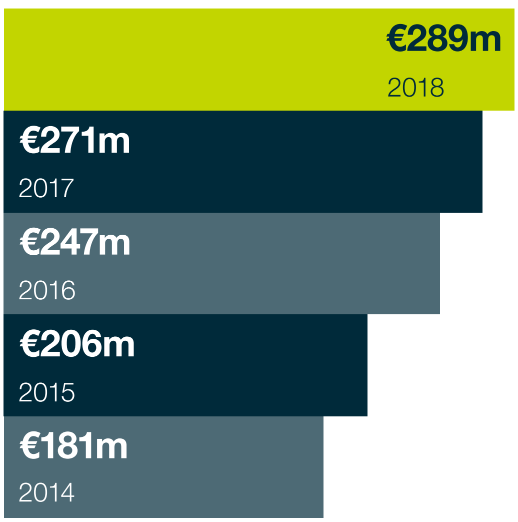
€165m

+4%

A key strategic goal is to 'Increase the value of our Group'. The key metrics used to track our progress against this objective are EBITDA, profit after tax before exceptionals and fair value movements and Return on Equity (ROE).

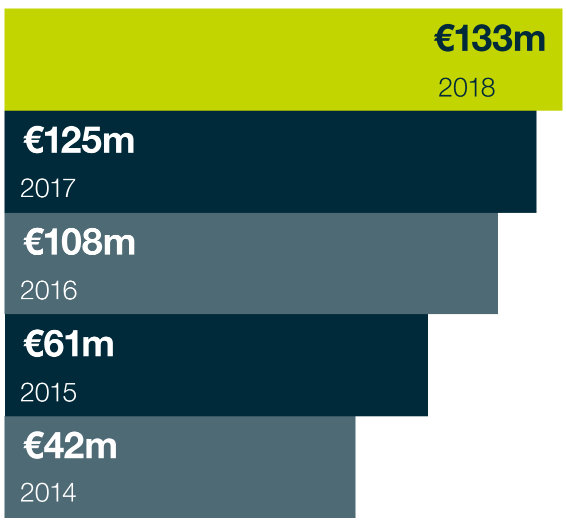
The Group achieved a profit after tax, before exceptional items of €133 million in 2018, which grew by 6% from €125 million in 2017.

Group EBITDA*



* Before exceptional items and fair value movements.

Profit after tax (pre-exceptional)*



* Attributable to the Group.

Group turnover increased by €42 million (5%) to €897 million compared to €855 million in 2017. Aeronautical turnover increased by €12 million (4%) which is primarily due to the 6% increase in passenger numbers at Dublin and Cork airports. Direct retailing turnover increased by €9 million (5%), other commercial turnover increased by €13 million (9%) and international turnover increased by €9 million (4%) from 2017.

Group EBITDA for the year increased by 7% to €289 million from €271 million in 2017. This increase is due to a €34 million increase in gross profit, associated with increases in all turnover categories, offset however by a €16 million increase in operating costs.

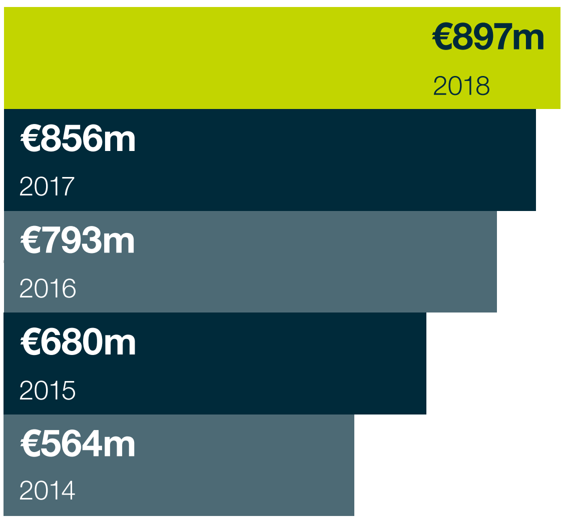
Group operating costs increased by €16 million (4%) to €426 million from €410 million. Airport costs amounted to €300 million; an increase of 3% from €291 million in 2017 and international costs increased by 6% to €126 million (2017: €119 million).

Depreciation and amortisation costs increased by €11 million to €124 million. Exceptional gains of €7 million arose from fair value movements net of taxation in investment properties and the recognition of a tangible fixed asset.

Business units

Dublin Airport achieved profit after tax (before exceptionals and fair value movements) of €123 million, an increase of €19 million (19%) compared to 2017. Dublin Airport growth was driven by passenger volume growth of 6% and strong commercial turnover growth of €20 million (7%). Cork Airport had a positive year, with passenger numbers increasing for the third consecutive year.

Group turnover



ARI (Aer Rianta International) profit decreased by €17 million to €13 million, notwithstanding a strong profit contribution from the Group's investment in Düsseldorf Airport. This was in large part due to the expiry and retention of certain concession contracts held by associate companies at higher concession fees. This led to a €13 million decrease in share of profits to €17 million for 2018 from €30 million for 2017.

daa International had a satisfactory year with turnover similar to that achieved in 2017.

Interest

Net interest decreased by 28% from €36 million in 2017 to €26 million in 2018. This was mainly due to refinancing by the Group which, together with other treasury management activities, has reduced the effective interest rate on its gross borrowings for 2019 to 2.2%.

Tax

The Group taxation charge, pre-exceptional items, increased by €1 million to €21 million. The Group's effective tax rate, pre-exceptional items was 13% (2017: 13%).

Corporation tax attributable to Irish activities has been low in recent years due largely to capital allowances carried forward. These have now largely expired.

Net debt and cash flow

Net debt decreased by €100 million (18%) to €441 million. Gearing was 24% at the year end which decreased by 6% from 2017. The ratio of net debt to EBITDA has improved to 1.5x from 2.0x and interest cover has significantly improved from 6.7 times in 2017 to 9.8 times at 31 December 2018.

The Group had a net cash inflow from operating activities of €280 million in 2018 compared to €247 million in 2017. Cash decreased by €234 million to end the year at €361 million. The main driver of the decrease was the scheduled repayment of the outstanding balance of the 2008 Eurobond of €290 million in July 2018.

The detailed cashflow statement is shown on page 78 and is supported by Notes 24 and 25 to the financial statements.

Capital investment

Capital expenditure for 2018 amounted to €132 million, a decrease of €53 million from 2017. The capital investment programme undertaken during the year included work on the completion of the Runway Overlay (€70 million), T2 Transfer facility (€10 million), significant works to update the T2 retail offerings (€6 million) and the commencement of construction of two new office buildings for Dublin Airport Central. Initial works also commenced in relation to North Runway in 2018.

Dublin Airport profit after tax

€123m
+19%

Net debt

€441m
-18%

Net debt and cash flows activities

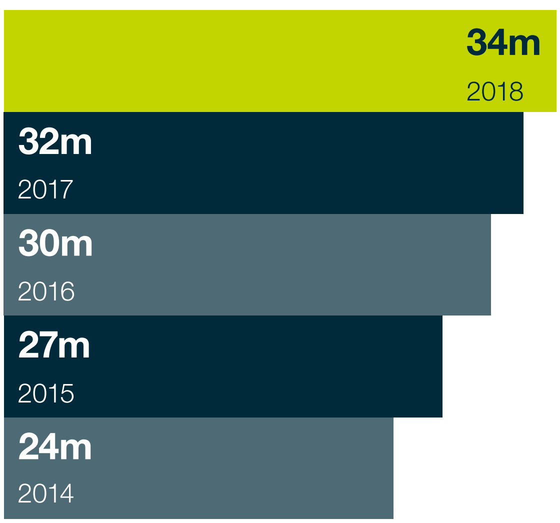
Net debt (€'m)	2018	2017
Gross debt	**(802)**	(1,136)
Cash	**361**	595
Net debt	**(441)**	(541)

Capital expenditure (€'m)	2018	2017
Tangible fixed assets	**115**	184
Intangible fixed assets	**2**	1
Investment property	**15**	–
Total capital additions	**132**	185

As part of the five-year price regulation process (2020 – 2024), the Capital Investment Programme 2020+ has been developed in consultation with airlines and the Commission for Aviation Regulation (CAR). The proposed programme is contingent on a number of matters, in particular, the outcome of the regulatory determination and the Group's assessment of both the demand and its capacity to appropriately fund this level of investment. Ensuring that the Group is in a position to finance this level of investment over the next five-year regulatory cycle is a key focus for the Group.

Returns to shareholder
It is Government policy (National Aviation Plan 2015) that profitable commercial State companies should pay a financial dividend to the State and to have in place a clearly stated dividend policy. The guideline figure is 30% of after tax-profits, but shall take account of the entity's current financial circumstances and plans for the future.

Passenger numbers



daa has agreed a dividend policy with its shareholder such that for accounting periods up to 31 December 2018, the Group will target an annual dividend pay-out of a minimum of 30% of normalised profit after tax. This policy is subject to periodic review and to the priority that the Group maintain a minimum level of investment-grade credit rating.

Since the year-end, the Board has recommended an interim dividend in respect profits of €40 million an increase of €2.6 million on the previous year and representing a 29.8% compound growth in annual dividends to shareholders since the Group resumed dividend payments in respect of 2015.

Outlook and market
Passenger numbers, which are a key driver of turnover and activity across the Group's airport and retail businesses, have shown modest growth into the early months of 2019. The short-term outlook for volume growth remains broadly positive, albeit recent growth levels are expected to moderate and market conditions in the aviation sector are undoubtedly more challenging and more competitive than at any point in the last few years. Dublin Airport's potential for passenger growth has closely aligned the prospects for economic growth with the provision of new infrastructure, the additional capacity provided by, and any revised planning permit conditions associated with the new Northern Runway under construction, and the plans of its airline customers.

Two of the most significant uncertainties facing the Group in 2019 are the terms and consequences of the United Kingdom's withdrawal from the European Union and the outcome of the regulatory determination of the airport charges at Dublin Airport for the period 2020 – 2024. A more comprehensive review of risks is set out in the Risk report on page 28.

Group cash inflow from operating activities

€280m
+13%

Group net interest expense

€26m
-28%

Treasury management

Treasury governance and control

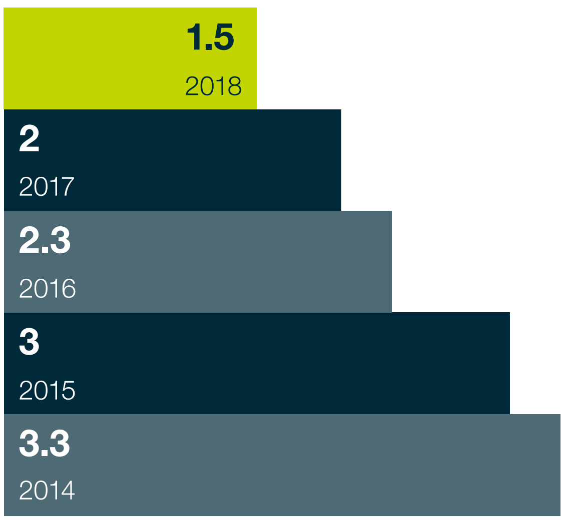
The Group operates a centralised treasury function operated in compliance with Board approved policies which are reviewed periodically by management and Internal Audit for appropriateness and the effectiveness of the system of internal controls.

The main Group financial risks, managed from a treasury perspective, relate to:

- Funding – to maintain access to the debt markets and other sources of finance.
- Liquidity – to put in place sufficient liquidity to meet the Group's requirements.
- Interest rate movements on the Group's existing and projected future debt requirements.
- Foreign exchange volatility mainly due to overseas operations.
- Counterparty credit risk.

Some of these risks can be mitigated through the use of derivative financial instruments and where appropriate, such instruments are executed in compliance with the Specification of the Minister for Finance issued under the Financial Transactions of Certain Companies and Other Bodies Act 1992. This Act authorises the Group to enter into derivative contracts to eliminate or reduce the risk of loss arising from changes in interest rates, currency or other factors similar in nature.

Net debt: EBITDA



Funding and liquidity

The Group's funding operations are strategically important and support capital expenditure, the refinancing of maturing debt and supply of adequate liquidity. The Group's liquidity policy is to ensure it has sufficient liquidity available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. At 31 December 2018, the Group had liquidity of €661 million consisting of cash €361 million and a €300 million committed revolving credit facility which provides the Group with sufficient standby liquidity to November 2022. Capital commitments authorised by the Directors at 31 December 2018 were €431 million with €187 million contracts placed.

The Group's financing documentation and maturity profile reflect its underlying financial strength and credit rating of A-/A-2 positive outlook by credit rating agency S&P Global (S&P). In December 2018, S&P affirmed this credit rating stating that they could raise the rating by one notch if the Group maintains funds from operations (FFO) to debt above 30% on a sustainable basis, while completing significant investments, and managing uncertainties regarding aeronautical charges in the next price control period. Alternatively, S&P could revise the outlook to stable if the Group's credit metrics were weaker than they currently forecast, notably if the Group failed to maintain weighted-average FFO to debt sustainably above 30%.

The Group's debt maturity profile shows a very manageable position particularly in the context of strong ongoing net cash flow from operating performance (€280 million in 2018) and liquidity of €661 million. On 9 July 2018, the Group repaid a €290 million bond which was funded by existing cash resources. The Group engages with its banks, the European Investment Bank, bond investors and S&P to ensure it manages its ability to fund in the future.

Group liquidity

€661m

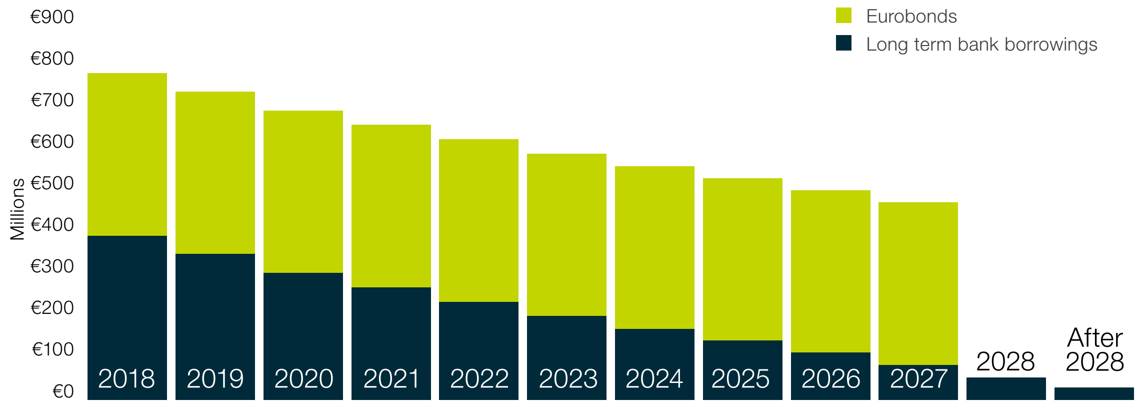
Capital commitments

€431m

Contracts placed

€187m

Group debt maturity profile at 31 December 2018



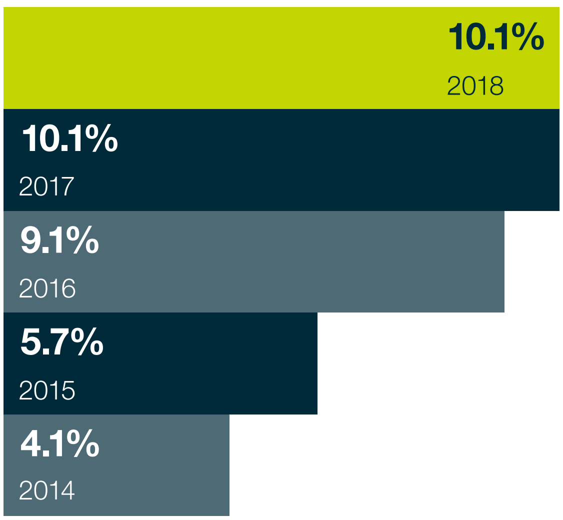
Interest rate and foreign exchange risk management
The Group's policy is to maintain a minimum fixed ratio of 70% on existing debt so as to protect the profit and loss account and cash flows from material adverse movements in interest rates. At 31 December 2018, 76% of the Group's debt was fixed to maturity thus minimising exposure to interest rate fluctuations. The weighted average interest rate applicable to the Group's borrowings is 2.6% (2017: 3.2%). In January 2019, the Group fixed the balance of its existing borrowings to maturity, thereby fixing 100% of the Group's debt at a rate of 2.2%.

The majority of the Group's cash flows are generated from Euro denominated operations at its Irish airports. The Group has a number of overseas subsidiaries, joint ventures and associated undertakings from which dividends and management charges are denominated in foreign currencies. The Group's policy is to minimise currency transaction risk, by seeking, where appropriate, to hedge foreign exchange transaction exposures, using currency derivatives such as forward purchase contracts. The Group does not hedge translation risk arising from profits and net assets of these overseas subsidiaries, joint ventures and associated undertakings. Currency exposures are disclosed in Note 26 of the financial statements.

Counterparty credit risk
The Group's counterparty credit risk consists principally of trade debtors and bank deposits. The Group's policy is to limit exposure to counterparties based on an assessment of credit risk and projected credit exposure. The Group has formalised procedures for managing credit risk including the setting of credit limits, the monitoring of trade debtors and bank deposit levels. It is Group policy to deposit cash surpluses with banks with an appropriate credit rating as determined by the leading credit rating agencies.

Ray Gray
Group Chief Financial Officer
21 March 2019

Return on equity



Our clear and effective sustainability programme

We recognise that the implementation of a clear and effective sustainability programme supports daa's 'build for our future', a key priority in the Group's current strategic plan.

Environment

Our target: Dublin Airport is committed to optimising its energy consumption and reducing its carbon emissions by annually reducing energy consumption by a minimum of 1.5% year-on-year to meet the requirements of the National Energy Efficiency Plan.

Implementation of our sustainability strategy will be on a phased basis with the following environmental areas identified for initial priority actions:

Energy and carbon

As an accredited ISO 50001 organisation, there is a consistent focus on reducing energy consumption. This is achieved through choosing energy efficient upgrades for maintenance and replacement programmes and by influencing the design of new infrastructure.

76%
energy savings at Dublin Airport by using energy efficient design principles

60%
energy provided by a 160 kWp pilot solar PV installation beside the reservoir at Dublin Airport

daa's environmental priorities

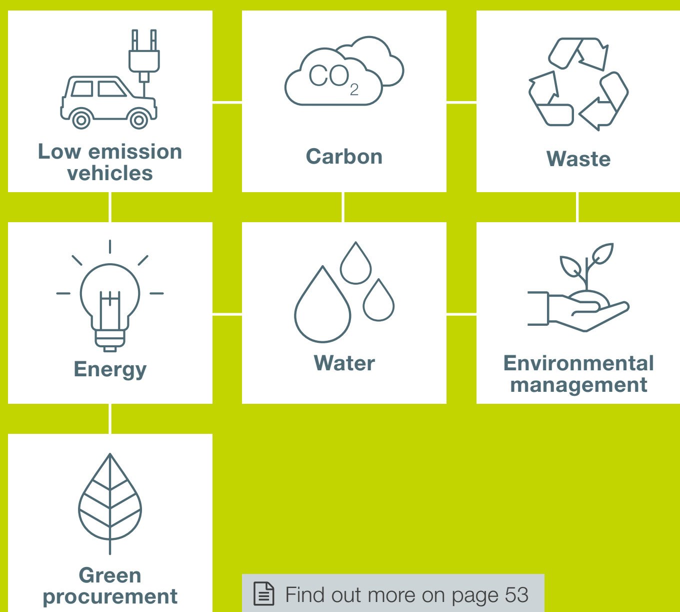
daa has developed a sustainability strategy to communicate, implement and foster the principles of sustainability across our businesses in line with our corporate strategy 'Creating Our Future'.

Our commitment is to deliver sustainable growth that takes account of environmental factors. As we grow, we will strive to:

- minimise negative impacts on the environment;
- consume as few resources as possible; and
- communicate what we are doing to staff, community and passengers.

Our sustainability policy is dynamic. We will review this policy on an annual basis and update as required.

To achieve the commitments of our sustainability strategy, daa has implemented working groups in key environmental priority areas.



Find out more on page 53

Primary equipment replacement projects include lighting upgrades, thermal equipment and distribution systems replacement and control upgrades. An LED retrofit throughout the campus is well advanced with Terminal 1 and Terminal 2 largely LED lit in addition to satellite and remote buildings and street and public lighting systems. The use of energy efficient design principles and the implementation of innovative solutions has ensured energy savings of up to 76% on these projects.

A 160 kWp pilot solar PV (panel) installation has been installed beside the reservoir at Dublin Airport and in 2018 provided circa 60% of the energy required to power the operation of the reservoir controls. In light of this, Dublin Airport is proposing to continue its solar PV implementation to include a further 100 kWe installation at Terminal 1 and a 20 kWe installation at the Airfield Maintenance Base.

The implementation of such regulatory requirements as Near Zero Energy Buildings (NZEB) regulations and energy consumption targets will drive ongoing delivery of increasingly sustainable infrastructure as part of the airport's substantial capital investment programme. NZEB requires new buildings delivered from 'Our Target' 31 December 2018 (for public bodies) to have a very high energy performance, where the nearly zero or low amount of energy required should be covered to a significant extent by renewable sources.

Both Dublin and Cork airports participate in Airports Council International's Airport Carbon Accreditation (ACI ACA) programme, a voluntary scheme developed by airports to map and measure the impact of airport-controlled activities in terms of greenhouse gas emissions.

Waste

The growth in passenger numbers has seen an increase in the amount of waste generated at the airport. From 2013 to 2018, passenger numbers increased 56% while waste generated at Dublin Airport increased from 3,220 tonnes to 5,107 tonnes (a 59% increase). However, recycling figures have increased substantially from 11% in 2013 to 37% in 2018. Dublin Airport's 'Zero Waste to Landfill' certification is a key part of the waste management policy at the airport. Some key activities include guidance for, and regular engagement with, food and beverage operators and concessionaires in relation to waste segregation and recycling.

During 2018, to assist in the reduction of single use plastics, daa upgraded 22 water fountains in Terminal 1 for passengers to refill personal water bottles. Into 2019, daa is planning to meter the entire network and increase the number of these new Hydration Stations. Through awareness training campaigns, as well as the provision of appropriate waste segregation infrastructure, Cork Airport has been successful in increasing recycling rates to 21% in 2018.

Water

Reducing water consumption is a priority for both airports, with consumption per passenger falling from 46 litres per passenger in 2009 to 13.8 litres per passenger in 2018 at Dublin Airport. This coincided with record growth in traffic at Dublin Airport which indicates a substantial decoupling of passenger growth from water consumption. Reductions were achieved by implementing more efficient operational and control equipment at the reservoir, as well as improved leak detection.

Surface water quality is assessed by regularly monitoring the quality of the local watercourses. At our airports, there is an extensive network of pre-treatment infrastructure such as fuel interceptors to capture contaminants in the event of a spill. Dublin Airport is developing a masterplan for surface water infrastructure on the campus to ensure that future development supports the efficient use of water and minimises any impact from operations on the local watercourses.

Air quality

Dublin and Cork airports undertake voluntary ambient air quality monitoring programmes. At Dublin Airport, equipment measures a range of parameters on a continuous basis on-site and at 10 locations in surrounding communities, while monitoring is undertaken at four locations within the Cork Airport site. Dublin Airport also publishes quarterly reports and more information can be found on the airport's website.

Results from air quality monitoring at both airports indicate good air quality with concentrations of the main transport related parameters well below the national ambient air quality standards (Air Quality Standards

Vehicles from the low emission fleet at Dublin Airport.

Waste recycled in Dublin Airport in 2018

37%

New passenger hydration stations at Dublin Airport

22

Water consumption per passenger in 2018

13.8 litres

2014: 46 litres

Regulations 2011). The increase in 2018 in NO_2 levels can be correlated with increased construction-related activity in the environs of the monitoring station.

Initiatives to further reduce our impact on air quality include the use of electric vehicles, fixed electrical ground power, fuel hydrant systems, improved efficiency of boilers and regularly updating and implementing the Mobility Management Plan.

Noise

Dublin Airport is committed to working with stakeholders to implement noise reductions and mitigation measures. In this context, we welcome the publication by Fingal County Council (FCC) in 2018 of a Noise Action Plan (NAP) for Dublin Airport which provides details of the regulatory and operational aspects relevant to noise and how it is managed. We support the initiatives set out in FCC's Plan and believe that they strike an appropriate balance between engaging on noise issues and facilitating continued operations and future growth in connectivity.

The Aircraft Noise (Dublin Airport) Regulation Bill 2018 is, at the time of writing, progressing through the Houses of the Oireachtas. Its purpose is to ensure that stakeholders' concerns about noise and other matters are fully considered in the development of critical aviation infrastructure. Its effect would be to establish an airport-wide, holistic regulatory framework, including the establishment of a new Competent Authority which will consider and assess all these matters on an independent, objective basis known as the 'Balanced Approach'. daa will fully engage with the new arrangements once established.

The Balanced Approach was developed by the International Civil Aviation Organisation (ICAO) to facilitate airport development and expansion in a way that minimises, as far as practicable, the noise impact of that expansion, whilst also recognising the strategic importance of airport development.

	2018	2017
Noise complaints	**1,453**	1,194
Number of complainants	**293**	423

Sustainability policies

In 2018, daa developed a new Low Emission Vehicle Policy and laid out a plan to convert daa's light commercial fleet to electric vehicles, gradually converting transport operations to and from public and staff car parks to low emission vehicles, and influencing suppliers and other operators at the airport or visiting the airport to use low emission technology.

New sustainability principles have also been introduced in the area of Procurement to assist in the procurement of materials with the lowest possible environmental impact with the initial focus on food and beverage, construction, energy infrastructure, equipment and vehicle procurement.

Our targets

We have set ourselves the following targets to achieve by the end of 2020.

Low emission vehicles

We will implement the objectives of our Low Emission Vehicle Policy to transition to a low emission vehicle fleet wherever possible, and as soon as possible, and will encourage other operators on-site to do the same. Our commitments will deliver a range of benefits to our staff and local communities, including improvements in air quality, noise and carbon emissions and reduced energy consumption.

Carbon

We will continue to reduce airport carbon emissions and, by 2020, we will achieve carbon neutral status under Airports Council International Airport Carbon Accreditation scheme.

Waste

We will implement the objectives of our Waste Policy to minimise waste generation and achieve 50% recycling of waste by 2020.

50%

Green procurement

We will implement the objectives of our Green Procurement Policy by including environmental and whole life cycle considerations in all procurement decisions.

Water

By 2020, we will reduce water usage by 10% based on the 2016 baseline by implementing water saving technologies.

10%

Energy

We will incorporate sustainable planning, design and construction into projects and will meet the commitments in our NZEB policy.

By 2020, we will reduce primary energy usage by 33% compared to the 2009 baseline.

33%

Environmental management

We will increase awareness amongst airport operators of the potential impact of their activities on surface water bodies and we will continue to monitor surface water and report on key pollutants.

We will maintain zero breaches of national air quality limit values and will continue to monitor air quality on campus and within local communities.

We will undertake active noise management and report on key performance indicators.

Community

Dublin Airport has a long-standing track record of working and engaging with our local communities, which has been achieved through a variety of activities such as community sponsorship, educational and school programmes, and dedicated engagement forums.

Community Fund

In 2017, we launched the €10 million Dublin Airport Community Fund, which will see an investment of €400,000 per year over 25 years. The aim of the fund is to support local projects that make a positive contribution to the communities surrounding Dublin Airport. A full list of recipients can be found on Dublin Airport's website.

Community Fund in action Santry Community Garden

Located in Dublin 9, the Santry Community Garden is a 4.5 acre walled garden run entirely by volunteers which provides a wonderful amenity for the whole neighbourhood. Founded in 2010, the garden is open to members and visitors to enjoy as an educational and inspirational space to learn about horticulture and food production, beekeeping and grafting and pruning, and is the hub of many community activities. The garden has a large and diverse membership and has developed links with a variety of other volunteer and community groups.

The garden received funding for a polytunnel which enabled the growing of a wide variety of foods over the entire year and in weather conditions that are not ideal. It also made the garden more sustainable as it allowed the members to grow from seed rather than buying plants.

Funding was also provided for an irrigation system in the kitchen garden. The water used in the system is sourced through rain water harvesting and from the garden's own well. It enhances the garden's ability to address local food poverty through more effective water management throughout the growing system. It helps teach members and visitors to effectively manage scarce water resources during a drought, demonstrating water harvesting and effective irrigation techniques.

Staff charities

Donations to our Staff Charity of the Year programme have touched the lives of tens of thousands of people in a positive way since 2007. daa staff, supported by the Group and passenger donations, raised €315,000 in 2018 for IMNDA (Irish Motor Neurone Disease Association), LauraLynn (children's hospice) and Snowflakes (autism support).

€315,000

raised for IMNDA, LauraLynn and Snowflakes

Education initiatives

Our aim is to inspire and prepare young people to finish their education and gain a better understanding and interest in the business and aviation world. We work through partnerships with:

Junior Achievement Ireland

Junior Achievement Ireland (JAI) encourages young people to remain in education and develop the skills needed to succeed in a changing world. Dublin Airport has been supporting JAI since its launch and our volunteers have worked with more than 5,000 students from 50 schools.

Business in the Community Ireland (BITC) Schools Partnership

In one of BITC's longest running partnerships, Dublin Airport is twinned with St. Finian's Community College in Swords to provide the Skills@Work Programme to 40 LCVP students in 2018 and nearly 400 students over Dublin Airport's ten-year involvement.

€10m

Dublin Airport Community Fund launched in 2017

5,000+

Dublin Airport volunteers have supported 5,000 JAI students from 50 schools

40

Dublin Airport provided the Skills@Work Programme to 40 LCVP students in 2018

Late 2017 saw the launch of Dublin Airport's €10 million Community Fund.

Fingal Libraries Battle of the Book

The Battle of the Book is a collaboration between Fingal Libraries, Dublin Airport and pupils from six primary schools within the Fingal area, with the aim of fostering a reading for life culture.

Schools entertainment programme

Musical groups from up to 40 different schools and choirs perform in the Arrivals Halls in the lead up to Christmas, providing a joyful atmosphere for passengers.

Employee engagement

daa continued its commitment to employee experience and wellness in 2018. A 'Focus on You' programme was developed to highlight and integrate all wellness services and activities across daa, which included:

Mental wellbeing

- Mental Health First Aid Training was provided by VHI & Mental Health First Aid Ireland, with 23 employees certified in 2018.
- The Employee Assistance Programme provides 24/7 confidential guidance, support and counselling should employees experience a work or personal issue.
- Workshops and seminars were provided on stress management, mindfulness, life balance, lifestyle and behaviour change and mind-body connection.

Health wellbeing

- Vaccines were offered without charge for all staff for flu; Hepatitis A&B and tetanus vaccines were provided to those in frontline roles.
- Seminars were provided on nutrition for shift workers, cardiovascular disease prevention, healthy eating, men's health and Irish Cancer Society sun-smart tips.

Physical wellbeing

- 398 employees availed of an on-site nurse health assessment through VHI with a comprehensive screening and hard copy report.
- Other benefits offered included an on-site running coach for a 'Couch to 5K' programme, a physiotherapist and massage therapist for staff in physical roles, and seminars on good sleep hygiene and the benefits of exercise and mobility.

Financial wellbeing

- Health insurance discounts.
- Income protection.
- Seminars and one-to-one consultations provide guidance on pensions, life assurance, children's education, taxes, mortgage and budgeting.

In 2018, daa also supported a number of events including National Workplace Wellbeing Day, Mental Health Awareness month, International Men's Health Week, and International Women's Day.

Marketplace

As part of our contract with the Food and Beverage (F&B) operators in Dublin and Cork airports, daa requires either Origin Green or ISO accreditation. Origin Green is Ireland's food and drink sustainability programme and is led by Bord Bia. The programme enables Ireland's food industry to set and achieve measurable sustainability targets that respect the environment and serve local communities more effectively.

As part of daa's service level agreement with our F&B operators, we review environmental policies and waste management statements. A number of our F&B providers have embraced sustainable options for our airport passengers, with compostable cups and lids for hot drinks.

24/7
employee assistance programme provides confidential guidance and support

398
employees availed of an on-site nurse health assessment

Our strategy in action

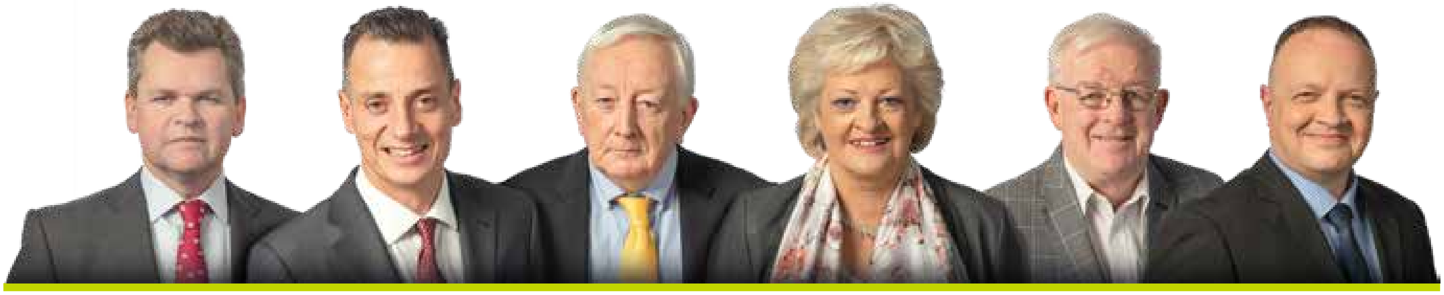
Strategic linkage

Food and beverage provider case study

HMSHost Ireland operates a number of food and beverage outlets in Dublin Airport including Harvest Market in Terminal 2. It provides great service by taking the social and environmental aspects of its business into account, with a view to creating value for all stakeholders. Its participation in the Origin Green programme is enhancing its sustainability profile.

About 75% of purchases currently come from the island of Ireland and only Fair Trade coffee is used. To achieve sustainable sourcing, HMSHost Ireland is in the process of switching to Fair Trade Organic products. In improving operations, reductions have been achieved in the use of disposable cups and cutlery, food production waste and napkin waste. Menus have been expanded to include more healthy options for customers, as well as more vegetarian and gluten-free choices. HMSHost Ireland's goal is to hire five long term unemployed individuals each year, through working closely with SETAC.

Board of Directors



Basil Geoghegan
Chairman

Basil is a Partner of PJT Partners, a US based publicly listed advisory investment bank, where he leads its business in the UK and Ireland. Prior to PJT Partners, he was a Managing Director at Goldman Sachs, Deutsche Bank and Citigroup in London and New York. He has broad M&A, corporate finance and strategic advisory experience, in the US, UK, Ireland and internationally. He also has an extensive record in complex M&A, public takeovers and anti-raid situations, including healthcare, financial services, TMT and transportation. He is Patron of The Ireland Fund of Great Britain. Basil is a Scholar of, and holds an LLB, from Trinity College, Dublin and an LLM from European University Institute and qualified as a solicitor with Slaughter and May.

Term of Office

Appointed Chairman in June 2018. He has been a member of the daa Board Nomination and Remuneration Committee and the Board Strategic and Infrastructure Committee since his appointment to the Board.

Dalton Philips
Chief Executive

Dalton's roles, prior to joining daa, included Chief Executive of Wm Morrison plc., Chief Operating Officer of Canadian retailer Loblaw Companies and Chief Executive of Brown Thomas Group. Among other roles, he was also a Senior Advisor to The Boston Consulting Group, a global management consultancy firm. He is a board member of ACI Europe and IBEC. He holds a private pilot's licence. Dalton has a BA from University College Dublin and an MBA from Harvard University.

Became Chief Executive and ex officio board member of daa in October 2017. He is a member of the daa Board Strategic and Infrastructure Committee and the Board Finance Committee.

Niall Greene

Niall's extensive career in aviation started in Aer Lingus and encompassed senior positions in GPA Group and GE Capital Aviation Services. He has considerable knowledge of aviation matters and experience in advising private and public sector organisations. He currently serves on the boards of a number of aviation finance related companies. Niall holds LLB and LLM degrees from the University of Limerick.

Originally appointed to the Board in July 2012, reappointed in July 2015, and again in July 2018. He was appointed Chair of the daa Board Health, Safety, Security and Environmental Committee in December 2012 and from November 2015 has been a member of the Board Strategic and Infrastructure Committee.

Patricia King

Patricia is General Secretary of the Irish Congress of Trade Unions (ICTU) – the umbrella organisation for trade unions in Ireland and was previously Vice President of SIPTU. She has extensive experience in the field of industrial relations at both sectoral and national level in Ireland. She has served as a board member of the RTE Authority, the National Roads Authority and Pobal. Patricia is a board member of the Apprenticeship Council, the Low Pay Commission and Court Services Board.

Originally appointed to the Board in July 2012, reappointed in July 2015, and again in July 2018.

Colm McCarthy

Colm worked at the Central Bank, the Economic and Social Research Institute (ESRI) and with DKM Economic Consultants. He has wide ranging knowledge of, and experience in, matters of public policy and economics. He chaired the Irish Government's Review Group on State Assets and Liabilities and the Special Group on Public Service Numbers and Expenditure Programmes. Colm is a graduate of University College Dublin and the University of Essex and has lectured at Dubrovnik International University and University College Dublin.

Originally appointed to the Board in February 2012, reappointed in February 2015, and again in April 2017. Since his appointment to the Board in 2012, has served on the daa Board Audit and Risk Committee and was appointed to the Board Finance Committee in March 2016.

Paul Mehlhorn

Paul joined the company in 2003 and is a Passenger Screening Supervisor at Dublin Airport and has experience in airport security operations. He is a member of the SIPTU trade union and the Irish Congress of Trade Unions Worker Directors Group. Paul holds a Certificate in first line management and a Diploma in Health and Safety.

Appointed to the Board in January 2018 under the Worker Participation (State Enterprises) Acts, 1977 to 2001.

Barry Nevin

Barry joined the company in 1991 and works in the Airport Police and Fire Service at Dublin Airport. He has experience in airport operations and in dealing with industrial relations matters. He is a member of the SIPTU trade union and the Irish Congress of Trade Unions Worker Directors Group. Barry holds a Law degree from Dublin Institute of Technology.

Term of Office

Originally appointed to the Board in March 2005, reappointed in October 2009, January 2014 and again in January 2018 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. Since September 2005, Barry has been a member of the daa Board Health, Safety, Security & Environment Committee, he also chaired this committee from December 2011 to November 2012.

Eric Nolan

Eric joined the company in 2003 and works in the Airport Police and Fire Service at Cork Airport. He has experience in airport operations. He is a member of the SIPTU trade union and the Irish Congress of Trade Unions Worker Directors Group. Eric served on the Board of Cork Airport Authority from April 2010 to December 2011. Eric holds an Airports Council International Diploma in Airport Operations.

Originally appointed to the Board in January 2014 and reappointed in January 2018 under the Worker Participation (State Enterprises) Acts, 1977 to 2001.

Risteard Sheridan

Risteard is currently Vice President & Head of Internal Audit for AerCap, a global leader in aircraft leasing and aviation finance, and the largest owner of commercial aircraft in the world. He has significant experience of advising and reporting to the boards, audit committees and senior management of multinationals and commercial semi-states on governance, financial reporting and control and process matters. This experience was largely gained while working with the professional services firms KPMG and EY. He is also a member of the CAI Risk Management & Internal Audit Committee. Risteard is a graduate of UCD and a Fellow of Chartered Accountants Ireland (CAI).

Appointed to the Board in September 2018. He was appointed to the daa Board Audit and Risk Committee in November 2018.

Denis Smyth

Denis joined the company in 1979 and currently holds the position of Airport Duty Manager. He has experience in airport operations. He is a member of the SIPTU trade union and the Irish Congress of Trade Unions Worker Directors Group. Denis holds diplomas in Airport Operations Management and Security Management.

Originally appointed to the Board in January 2014 and reappointed in January 2018 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. He was appointed to the daa Board Health, Safety, Security & Environment Committee in March 2014 and the Board Finance Committee in March 2016.

Gerry Walsh

Gerry is an independent business advisor who provides strategic support to the boards and senior management teams of a number of Irish and International companies and is a Non-Executive Director of a number of Irish companies. He has knowledge and experience of working in the Irish commercial semi-state sector gained from his time as Chief Executive of Bord Gáis Energy from 2000 to 2007. He led the transition of that company to an all-Ireland energy company providing both gas and electricity to customers throughout the island of Ireland. He was Chairman of Cork Airport Authority from 2009 to the end of 2011. Gerry is an engineering graduate from University College Cork.

Originally appointed to the Board in November 2009, re-appointed in February 2012, February 2013, July 2015 and again in July 2018. He is Chair of the daa Board Audit and Risk Committee, having served as a member of the committee from February 2010, he was appointed Chair in February 2012. Gerry has been a member of the Board Nomination & Remuneration Committee since November 2010 and the Board Strategic and Infrastructure Committee since November 2015.

Our Executive Management team is supported by our senior leadership group.

1

Dalton Philips

Chief Executive

Dalton joined daa as Group Chief Executive in 2017. Prior to joining daa, Dalton's roles included Chief Executive of Wm Morrison plc., Chief Operating Officer of Canadian retailer Loblaw Companies and Chief Executive of Brown Thomas Group. Among other roles, he was also a Senior Advisor to The Boston Consulting Group, a global management consultancy firm. He is a board member of ACI Europe and IBEC. He holds a private pilot's licence. Dalton has a BA from University College Dublin and an MBA from Harvard University.

2

Nicholas Cole

Chief Executive Officer, daa International

Nicholas joined daa as General Manager, Terminal 5, King Khalid International Airport, Riyadh, Saudi Arabia in 2017. Prior to joining the company, he held a number of roles in the aviation sector in both the UK and Middle East. These included leading Terminal 5 at Heathrow Airport, delivering Heathrow's 2012 London Olympics Programme and heading Terminal Design and Operations for Muscat and Salalah airports in Oman. He was appointed Chief Executive Officer of daa International in 2019 and has responsibility for leading the overseas advisory services, management contracts and concessions of the business. He is a graduate of the Royal Military Academy Sandhurst and has a degree in Business Studies from Solent University.

3

Brian Drain

Chief People Officer

Brian joined the Finance department of Dublin Airport in 1989 and following roles in the commercial, retail, airport operations and IT functions of the business, including secondments in Australia, North America and continental Europe, he was appointed daa Chief People Officer in 2018. Prior to this, he was General Manager, Operations for Dublin Airport. He has responsibility for driving employee engagement and developing a people strategy that enables the business to meet its objectives. He is a graduate of Dublin City University, is a qualified Management Accountant, and has an MSc in Business Management from Trinity College, Dublin.

4

Ray Gray

Group Chief Financial Officer

Ray joined daa as Chief Financial Officer in 1999 from PricewaterhouseCoopers (PwC) where he was a partner and country lead for a number of sectors. During 18 years with PwC he also spent three years on secondment to the Irish Department of Finance. He has responsibility for Finance, Procurement and Shared Services at daa in addition to the Group's international airport investments. He is a member of the Supervisory Board of Düsseldorf Airport, a Director of Hermes Airports (Cyprus) and a Director of other daa Group subsidiaries. He is also a member of the Advisory Board of Ireland's National Shared Services office. He is a Fellow of Chartered Accountants Ireland.

5

Vincent Harrison

Managing Director, Dublin Airport

Vincent joined daa in the Finance function in 2005. Prior to joining the company he held senior financial and management positions with Rubbermaid in Europe and the US and Esat/BT in Ireland. He was appointed Managing Director, Dublin Airport in 2014. Before this he was Director Strategy, Regulation & B2B. Vincent holds an MBA degree from the University of Pittsburgh and a B.Comm degree from University College Cork. He is a Fellow of Chartered Accountants Ireland and qualified as a Chartered Accountant with Arthur Andersen.

6

Maurice Hennessy

Chief Information & Security Operations Officer

Maurice joined daa as Group Head of Financial & Business Planning in 2007. Prior to this, he worked for US multinational organisations where his roles included Vice President/ Corporate Controller in Global Crossing and a variety of management roles with Analog Devices. He was appointed Chief Information Officer in 2014 and to his Security role in 2017. Before this, he was Director, Commercial for daa. He has responsibility for developing and implementing the Group IT strategy along with all security planning and operations functions for Dublin Airport. He also has responsibility for delivery of the North Runway project at Dublin Airport. He qualified with PricewaterhouseCoopers and is a Fellow of Chartered Accountants Ireland.

7

Ray Hernan

Chief Executive Officer, ARI

Ray joined daa in August 2018 as Chief Executive, ARI. His previous roles included Chief Executive, Bus Éireann, Chief Executive of Irish retailer Arnotts and Director of Finance with Selfridges in the UK. He was also Chief Financial Officer at Irish luxury goods retailer Brown Thomas Group and spent 10 years as Director of Finance at Ryanair. Ray is a Fellow of Chartered Accountants Ireland and has a BComm degree from University College Dublin.

8

Niall MacCarthy

Managing Director, Cork Airport

Niall joined daa as Group Financial Systems Manager in 2000. Prior to joining the company he was Group Financial Systems Manager for Dunnes Stores. He was appointed Managing Director, Cork Airport in 2012, where he has led the turnaround in the business. Before this he was Head of Passenger Services at Dublin Airport and General Manager Business Intelligence and Systems for daa. He is Vice Chair of the Airports Council International Europe Regional Airports Committee representing 400 of Europe's regional airports. Niall is a Fellow of Chartered Accountants Ireland and originally qualified in practice in Dublin.

9

Marion O'Brien

Chief Strategy & Governance Officer

Marion was appointed Chief Strategy & Governance Officer in 2018 and is also Group Company Secretary and a Director of a number of daa subsidiary companies. Before this she was Director of Corporate Services and Group Company Secretary and prior to that she held a series of senior finance roles in daa including Group Head of Corporate Finance and Head of Finance Dublin Airport. Before joining daa she worked in finance roles in the agri-food and educational sectors. In her current role she is responsible for overseeing daa's Legal, Governance, and Strategy functions. She is a Fellow of Chartered Certified Accountants Ireland and holds a BA from the University of Limerick and an MBS from Dublin City University.

10

Paul O'Kane

Chief Communications Officer

Paul joined daa as Communications Manager for the Airport Development Programme in 2006. He was appointed Chief Communications Officer in 2010. Prior to joining the company, he spent 15 years as a newspaper reporter including roles with The Sunday Tribune as Business Editor and The Irish Times as a Business Reporter. He is responsible for all external and internal communications at daa. He has a BA in Modern History & Politics from Queen's University Belfast and a MA in Journalism from Dublin City University.

Governance report

daa as a Group
The Board is responsible for the Group's strategy and the organisation structure facilitates effective and efficient decision making with clear accountability. The organisation comprises four principal business pillars with centralised support and corporate functions.

Board
The Board is responsible for establishing the culture of the Group and leading and directing its activities. The Board's role is to provide leadership and direction for the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board has put in place a corporate governance structure which provides for delegation to management.

The Board satisfies itself that controls are adequate to secure compliance with statutory and governance obligations.

The Board has a formal schedule of matters reserved for its decision. These include:
- the approval of the daa Group strategy, annual budget and financial statements;
- evaluating performance versus strategy and budget;
- appointment of the CEO;
- policy on determination of senior management remuneration;
- risk management;
- major capital expenditure and investment decisions; and
- policy on determination of senior management remuneration.

Board sub-committee structure
- Audit and Risk Committee;
- Health, Safety, Security & Environment Committee;
- Nomination & Remuneration Committee;
- Strategic & Infrastructure Committee; and
- Finance Committee.

Chairperson – Basil Geoghegan
- Leads the Board and is responsible for organising the business of the Board, ensuring its effectiveness in all aspects of its role;
- is responsible for displaying high standards of integrity and probity and setting expectations regarding culture, values, and behaviours and the tone of discussions at Board level;
- facilitates the effective contribution of Directors and ensures that Directors receive accurate, timely and clear information; and
- manages effective communication with the Shareholder.

CEO – Dalton Philips
- Is responsible for the management of the business and implementation of the Group's strategy and policy; and
- leads the executive team.

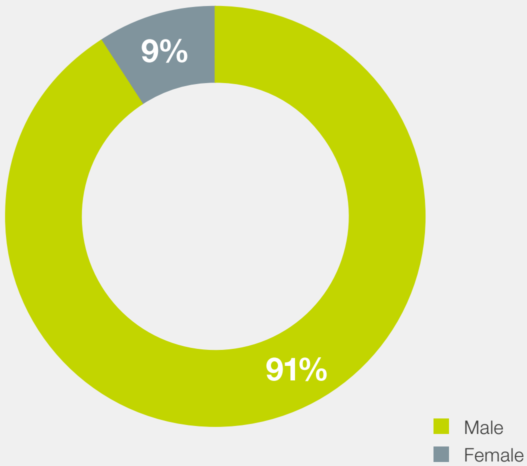
Senior Independent Director – Gerry Walsh
- Provides a sounding board for the Chairman;
- serves as an intermediary for the other Board Members where necessary; and
- facilitates an annual meeting of the Board members to generally appraise the Chairman's performance.

Company Secretary – Marion O'Brien
- Ensures the Board receives information in a timely manner to enable full and proper consideration of issues;
- is responsible for the formal induction of new members;
- is responsible for advising and reporting on governance matters; and
- ensures that Board procedures are followed.

This Governance report sets out daa's governance structures and highlights the main areas of focus for the Board during 2018. The Board is committed to maintaining high standards of corporate governance and business conduct. The Code of Practice for the Governance of State Bodies ('Code of Practice') issued in August 2016 by the Company's Principal Shareholder, the Minister for Public Expenditure and Reform, sets out the principles of corporate governance which the boards of State Bodies are required to observe. daa complies with the Code of Practice in all material respects. In addition, in corporate governance matters, the Company has regard to recognised frameworks such as the UK Corporate Governance Code (the 'Corporate Governance Code') and the Irish Corporate Governance Annex.

Board performance and effectiveness
The Board acts on a fully informed and ethical basis, in good faith and in the best interest of the Company having due regard to its legal responsibilities and the objectives set by the Shareholder. All Board members are afforded the opportunity to fully contribute to Board deliberations, and to provide constructive challenge, while excessive influence on Board decision-making by one or more individual members is guarded against.

Breakdown by gender



The Board is provided with regular information, which includes key performance indicators across all aspects of the Group's 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. Management and financial information is provided to all Directors enabling them to scrutinise the Group's and management's performance against agreed objectives.

The Directors have a blend of skills and experience in the areas of aviation, finance, economics, business, retail and industrial relations. These skills bring the necessary competence to the Board to address the major challenges for the Group. Directors draw on their experience and knowledge in the development of strategy and use their diverse range of skills to constructively challenge matters of strategic importance to the Group. The experience and knowledge of Directors is also taken into consideration in determining the requirements and membership of the Board committees.

The Board continually strives to improve its effectiveness and conducts an evaluation of its performance on a regular basis. A self-evaluation has been completed in respect of 2018. The areas in which performance is assessed include strategy, risk management and internal control, boardroom practice and performance of committees. The performance of the Board was rated highly with no material issues to be addressed.

Board structure and appointments to Board

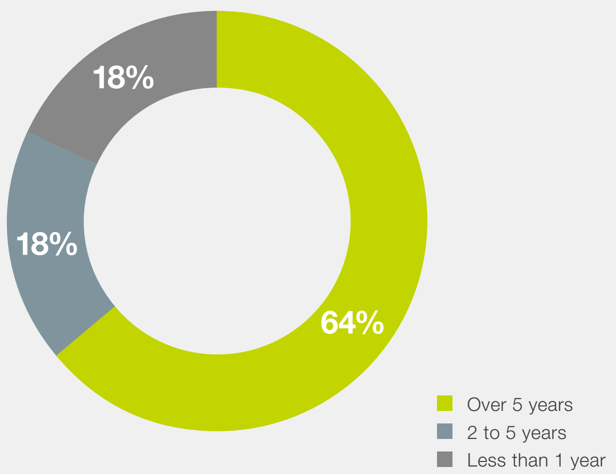
The Board structure is prescribed by statute whereby the number of Directors on the Board is set out in the Air Navigation and Transport (Amendment) Act 1998 (the '1998 Act'), as amended by the State Airports Acts, 2004 and 2014. This legislation provides that:

- The number of Directors shall be no more than thirteen;
- Each Director (including the Chairman) shall be appointed (or removed from office) by the Minister for Transport, Tourism and Sport (the 'Shareholder') with the consent of the Minister for Public Expenditure and Reform (the 'Principal Shareholder') for a period not exceeding five years and shall be eligible for reappointment;
- Four of the Directors of the Company (the 'Elected Directors') shall be appointed by the Shareholder following a staff election process as provided for under the Worker Participation (State Enterprises) Acts, 1977 to 2001 (the 'Worker Participation Acts'); such Directors are appointed for a period of four years and are eligible for re-election;
- The Chief Executive (the 'CEO') shall be ex officio a Director of the Company;
- The roles of the Chairman and CEO are separate.

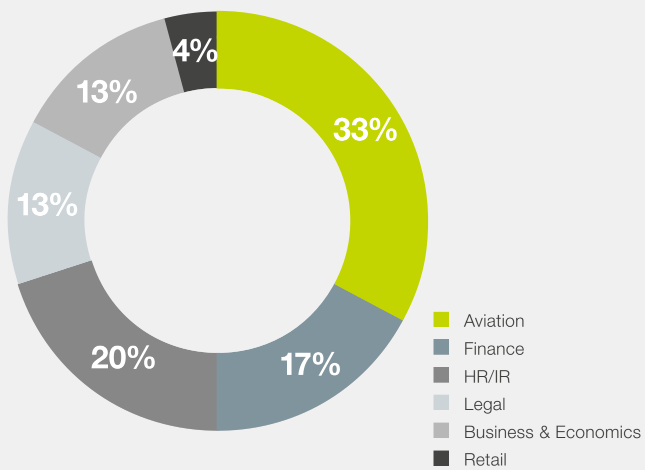
Decisions regarding the appointment and re-appointment of Directors and the filling of Board vacancies (other than, in each case, Elected Directors and the CEO) are made by the Shareholder in accordance with established arrangements for appointments to State boards. Details of the arrangements currently in place for State board appointments under the aegis of the Department of Transport, Tourism and Sport are available on www.dttas.ie.

The Board is satisfied that its size and structure as prescribed in legislation, is appropriate and achieves a balance of representation on the Board. During the year, there were temporary vacancies, following the expiration of the terms of office of a number of Directors. There are currently two vacancies on the Board and daa is engaged with the Shareholder in relation to the filling of these vacancies.

Breakdown by tenure



Breakdown by expertise



Governance report continued

Independence of Directors

The Directors and Company Secretary had no beneficial interest in the shares or loan stock of the Company or in those of its subsidiaries at any time during the year or the preceding financial year.

The Board considers that all Directors are independent in character and judgement.

Contracts of employment: Having regard to the independence criteria as set out in the Corporate Governance Code, the Board considers that the CEO and the four Elected Directors all of whom have contracts of employment with the Company, cannot for that reason be considered as independent.

Other interests: On occasion, members of the Board may also hold directorships or executive positions or have interests in third party companies including trade union organisations, 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, in Note 29 (Related Party Disclosures) of the financial statements, of relevant related party transactions where a Director holds a material interest in the relevant entity. In accordance with company law, details of directorships held by members of the Board are filed in the Companies Registration Office.

Mr Pádraig Ó Ríordáin, who occupied the role of Chairman during 2017 and until his term of office expired on 18 January 2018, is a partner in Arthur Cox, a law firm which provides legal services to the Group. Mr Ó Ríordáin's partnership in Arthur Cox was disclosed to and considered by the Shareholder prior to his appointment and reappointment as Chairman.

Board procedures: The Board has specific procedures to deal with potential conflicts of interest that may arise. Directors are required, in accordance with the provisions of section 34 of the 1998 Act and the Code of Practice, to disclose any relevant interest and absent themselves from Board discussions where they have a direct or indirect interest.

The terms and conditions of appointment of Directors are available for inspection on request.

Access to professional advice

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 complied with. The Company's professional advisers are available to the Board as required. Individual Directors may take independent professional advice, in line with Company procedures, at the Company's expense.

Induction, training and development of Directors

On appointment, Directors are provided with detailed briefing documents, governance, financial and operational information and an opportunity to be briefed by executives on the different aspects of the business of the Group. Directors have access to training programmes and the ongoing development needs of Directors are kept under review.

Board committees

The Board has an effective committee structure to assist in the discharge of its responsibilities. The specific responsibilities delegated to those Board Committees are set out in their Terms of Reference. Following each meeting the committees report to the Board on the issues within their remit.

Details of the work of the Audit and Risk Committee, the Finance Committee, the Health, Safety, Security & Environment Committee, the Nomination & Remuneration Committee and the Strategic & Infrastructure Committee, including their current Board membership, are set out below. The attendance of members at committee meetings is set out in the table '*Attendance at Board and committee meetings during year ended 31 December 2018'* in the section headed 'Meetings' below. Terms of reference for the committees are available from the Company Secretary on request.

Audit and Risk Committee

Members during 2018	Appointed to committee
Mr Gerry Walsh, Chairman [1]	February 2010
Mr Colm McCarthy [2]	February 2012
Mr Paul Schütz [3]	December 2012
Mr Risteard Sheridan	November 2018

1 Originally appointed to the committee in February 2010 and was appointed as Chairman in February 2012 following a short gap in his directorship from December 2011 to February 2012.
2 Originally appointed to the committee in February 2012 and continued as a member from April 2017 following a short gap in his directorship from February to April 2017.
3 Mr Paul Schütz was a member of the committee until his term of office expired in July 2018.

Key responsibilities of the Audit and Risk Committee

The committee's principal responsibilities are to assist the Board, in its oversight duties relating to internal control and risk management, financial reporting, external audit and internal audit. The remit of the Audit and Risk Committee extends across the Group including DAA Finance plc, Aer Rianta International cpt and daa International Limited.

The committee advises the Board on:

- the strategic processes for risk, internal control and governance;
- the accounting policies, the financial statements, and the annual report of the organisation, including the process for review of the financial statements, levels of error identified, and the letter of representation to the external auditors;
- the planned activity and results of both internal and external audit including adequacy of management response to issues identified by audit activity;

- external auditors, recommending appointments, monitoring effectiveness, independence and objectivity, approving remuneration and terms of engagement and determining policy on the supply of non-audit services; and
- anti-fraud policies, protected disclosure processes and arrangements for special investigations.

The Audit and Risk Committee met four times in 2018. During the course of the year, the committee held meetings without management present and also met privately with both the external and internal auditors. The Head of Internal Audit has a direct line of communication with the Chairman of the Audit and Risk Committee. The Head of Internal Audit's executive reporting line is to the CEO and he is appointed, and may only be dismissed, by the committee.

Regular attendees at committee meetings, at the invitation of the committee, include the CEO, Group Chief Financial Officer, Group Financial Controller, Company Secretary, Head of Internal Audit and representatives from the firm of external auditors.

Report of Audit and Risk Committee activities

Area of responsibility	Activity of the Committee
Internal control and risk management	• Reviewed the effectiveness of the Group's system of internal control and satisfied itself that it operated as planned for the year under review; • Considered any instances of potential weaknesses and relevant improvements to internal controls; • Monitored controls, including financial, operational and compliance controls and risk management processes; • Monitored the Group's ongoing process for identifying and evaluating the significant risks affecting the Group and the policies and procedures by which these risks are managed; • Reviewed risk and control assurance reports, risk incident reports and crisis management and business continuity activities; • Reviewed the daa Procurement Policy; • Received and reviewed reports in relation to IT security; • Received and reviewed reports on tax compliance and PAYE modernisation.
Financial reporting	• Reviewed the draft annual financial statements before recommending their approval to the Board; • Considered the appropriateness of the significant accounting policies, estimates and judgements applied in preparing these financial statements, together with presentational and disclosure issues; • Reviewed the financial obligations of the Group in relation to international business.
Protected disclosures and fraud	• Received reports from the Head of Internal Audit on confidential reporting and/or protected disclosures; • Considered the Criminal Justice (Corrupt Offences) Act 2018 and reviewed relevant amendments to the Company's Anti-Bribery, Corruption & Fraud policy; • Received assurances that procedures are in place to ensure compliance with the Company's Anti-Bribery, Corruption & Fraud policy.
External audit	• Carried out an assessment of the auditor's independence and objectivity; • Monitored the external auditor's compliance with relevant regulatory, ethical and professional guidance on the rotation of partners, and assessed the qualifications, expertise, resources and the effectiveness of the audit process.
Internal audit	• Reviewed the plans and work undertaken during the year by the Group's Internal Audit department, including reports relating to overseas subsidiary and associated undertakings, and the consequential actions agreed with management; • Reviewed the findings of internal audits and considered management's progress in addressing the relevant issues, including the nature, extent and speed of response; • Reviewed and agreed a risk-based internal audit annual plan, including the resources required, and considered the alignment of internal audit focus with the areas of greatest risk facing the Group; • Evaluated the performance of internal audit from the quality of reports and recommendations from the Head of Internal Audit.

Governance report continued

Financial reporting

The Audit and Risk Committee receives year-end financial statements from management, reviews any significant financial reporting judgements and considers the integrity of the financial statements of the Group and any formal stock exchange announcements relating to the Group's subsidiary DAA Finance plc's financial performance.

The committee considers whether, in its opinion, the annual report and financial statements are fair, balanced and understandable and provide the information necessary for an assessment of daa's financial position, financial performance and strategy. This review is supported by the processes, procedures and reporting in place, consideration of the key issues and events during the year and reports and information from internal and external auditors. Following its review, the Audit and Risk Committee is satisfied the annual report and financial statements meet the requirements as outlined above.

External audit

The committee takes appropriate steps to ensure that an objective and professional relationship continues to be maintained with the external auditor.

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

The Group last tendered for external audit services in 2017, following which, Deloitte Ireland LLP was reappointed.

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

Anti-fraud policies

Having considered the reports provided by the Head of Internal Audit regarding the confidential reporting system and compliance with the company's Anti-Bribery, Corruption & Fraud policy, the committee is satisfied that appropriate procedures are in place for follow-up of any relevant matters.

Finance Committee

Members during 2018	Appointed to committee
Mr Pádraig Ó Ríordáin, Chairman[1]	March 2016
Mr Colm McCarthy	March 2016
Mr Dalton Philips	October 2017
Mr Denis Smyth	March 2016

1 Mr Pádraig Ó Ríordáin was Chairman of this committee until his term of office expired in January 2018.

The responsibility of the committee is to oversee major financing arrangements and advise the Board on strategic financial matters. The committee's most recent activities related to major financings and dividend policy. It was not necessary for the Finance Committee to meet during 2018.

Health, Safety, Security & Environment Committee

Members during 2018	Appointed to committee
Mr Niall Greene, Chairman	December 2012
Mr Barry Nevin	June 2005
Mr Denis Smyth	March 2014

The committee's principal responsibility is to monitor the integrity of the Company's Health, Safety, Security & Environmental systems at the Company's airports. In fulfilling its role, the committee reviews the organisational structures in place to give effect to the daa's Health, Safety, Security & Environment compliance systems. It reviews and monitors performance metrics, receives incident reports and monitors the processes in place for training and communication of policies and procedures.

Nomination & Remuneration Committee

Members during 2018	Appointed to committee
Mr Basil Geoghegan, Chairman	June 2018
Mr Pádraig Ó Ríordáin, Chairman[1]	March 2012
Mr Gerry Walsh[2]	November 2010

1 Mr Pádraig Ó Ríordáin was Chairman of this committee until his term of office expired in January 2018.
2 Mr Gerry Walsh has been a member since his original appointment to the committee in November 2010 and continued as a member since February 2012 following a short gap in his directorship from December 2011 until February 2012.

The committee's principal responsibilities are to select, appoint and determine the remuneration and other terms and conditions of employment of the CEO, determine the remuneration policy in relation to senior management including performance related pay, review the ongoing appropriateness and relevance of, and any major structural changes to, the Company's remuneration policies, pension arrangements and severance schemes.

Strategic & Infrastructure Committee

Members during 2018	Appointed to committee
Mr Basil Geoghegan, Chairman	June 2018
Mr Pádraig Ó Ríordáin, Chairman[1]	November 2015
Mr Niall Greene[2]	July 2018
Mr Dalton Philips	October 2017
Mr Gerry Walsh[2]	July 2018

1 Mr Pádraig Ó Ríordáin was Chairman of this committee until his term of office expired in January 2018.
2 Mr Niall Greene and Mr Gerry Walsh were originally appointed to the committee in November 2015 and again following reappointment to Board in July 2018.

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The responsibility of the committee is to advise the Board on the medium and long-term infrastructural needs of Dublin and Cork airports.

During 2018, the committee was involved in overseeing plans for North Runway and dealing with matters relating to that key strategic project.

Meetings

Regular meetings of the Board are held throughout the year. The Board met formally nine times during 2018. In addition, there were a number of committee meetings. Attendance at Board and committee meetings is set out below.

Attendance at Board and committee meetings during year ended 31 December 2018

Director	Board	Audit and Risk	Health, Safety, Security & Environment	Nomination & Remuneration	Strategic & Infrastructure
Basil Geoghegan[1]	5/5				2/2
Niall Greene	9/9		4/4		3/3
Patricia King	8/9				
Colm McCarthy	8/9	4/4			
Paul Mehlhorn	9/9				
Barry Nevin	9/9		4/4		
Eric Nolan	8/9				
Pádraig Ó Ríordáin[2]				1/1	
Dalton Philips	9/9				3/3
Paul Schütz[3]	4/5	2/2			
Denis Smyth	9/9		4/4		
Risteard Sheridan[4]	2/2	1/1			
Gerry Walsh^	9/9	4/4		1/1	3/3

The first number in each column indicates the number of meetings attended by the Director and the second number indicates the number of meetings held during the period the Director was a member of the Board or relevant committee.

^ Senior Independent Director.
1 Mr Basil Geoghegan was appointed Chairman in June 2018.
2 The term of office of Mr Pádraig Ó Ríordáin expired on 18 January 2018.
3 The term of office of Mr Paul Schütz expired in July 2018.
4 Mr Risteard Sheridan was appointed to the Board in September 2018.

During 2018, the Senior Independent Director met with the Directors and chaired board meetings pending the appointment of a new Chair.

Directors' remuneration

Fees for Directors are determined by the Shareholder, with the consent of the Principal Shareholder. The remuneration of the CEO is determined in accordance with the arrangements issued by the Department of Transport, Tourism and Sport for determining the remuneration of CEOs of commercial State Bodies under its aegis and is set by the Nomination & Remuneration Committee in conjunction with the Shareholder and with the approval of the Principal Shareholder.

In line with the Code of Practice only one fee is payable to a Director in respect of service on the main Board and Boards of subsidiary or associated bodies where applicable. No Directors' fee is payable to the CEO for service on the Board. Executives of the Company who may serve on the Boards of subsidiary or associated companies do not receive any additional remuneration in respect of their directorships. Elected Directors, who receive a fee for their services as a Director, are separately remunerated for services provided to the Company under their normal contracts of employment.

Details of Directors' fees and emoluments, including those of the CEO, are set out in Note 7 to the financial statements in accordance with the requirements of the Companies Acts 2014, and the Code of Practice.

Communication with shareholder

The Shareholder's objectives and priorities have been communicated to the Board through, inter alia, the formulation of the National Aviation Policy and a Shareholder's Expectations Letter. Through regular contact with relevant Government departments, the Board and management maintain ongoing reporting and dialogue with the Shareholder on strategic issues and matters of importance to the Shareholder. The Board has established procedures to ensure that Board members have an understanding of the views of the Shareholder. This is achieved through briefings to Directors from the Chairman who, with the CEO, maintains regular dialogue with the Shareholder and Department officials.

Code of practice

daa complied in all material respects with the Code of Practice which sets out a number of compliance requirements including the publication of the Board's Statement on the System of Internal Control which accordingly is set out below.

Statement on the system of internal control

Scope of responsibility

The Board is responsible for establishing and maintaining the system of internal control throughout the Group. The system of internal control comprises those ongoing processes for identifying, evaluating and managing the significant risks faced by the Group and the key structures and procedures designed to provide an effective system of internal control.

Purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate risk of failure and can therefore only provide reasonable and not absolute assurance that the Group will not suffer material misstatement or loss. The Directors are satisfied that the Group's systems of internal control operated as planned for the year under review and up to the date of approval of the financial statements.

Governance report continued

Risk management
The Board has responsibility for determining the nature and extent of the significant risks the Group is willing to take in achieving its strategic objectives, is committed to the proactive management of risk and has processes in place designed to anticipate and address, to the extent possible, material changes to the Group's business and risk environment. The Board defines risk appetite for the Group, and seeks to ensure that through processes and structures, risk management is embedded across the organisation in normal business activities and decision making. The Board receives a risk report at each meeting, which focuses on principal risks and risk mitigation activities.

daa has an Audit and Risk Committee with defined terms of reference, membership which incorporates recent and relevant financial experience and meets regularly.

daa has also established an internal audit function which is adequately resourced and conducts a programme of work agreed with the Audit and Risk Committee.

Risk and control framework
daa has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks. Details of the risk management process are outlined in the risk report on pages 28 to 33.

A number of key structures and procedures designed to provide an effective system of internal control have been established. The key structures and procedures which are used to maintain and monitor an effective internal control system and which are supported by detailed controls and processes are as follows:

Strategic planning	Periodic preparation and adoption of a strategic plan to set future direction together with rolling five-year business and financial plans.
Board oversight	A Board approved Corporate Governance Policy and Framework which includes a schedule of items reserved to the Board for approval;
	An active Board sub-committee structure;
	Representation at Board level in the Group's principal associates and joint ventures by senior Group executives; Investments in associated and joint venture companies are considered as part of the Group's ongoing management risk review process;
	Separate Boards which monitor the governance and performance of each subsidiary company.
Management structures	A clearly defined organisation structure with appropriate segregation of duties and delegation of responsibility; authority within which the Group's activities is planned, executed, controlled and monitored to achieve the strategic objectives which the Board has adopted for the Group;
	Through a process of continuous improvement of the safety and environmental management systems, key issues and concerns are raised and communicated appropriately, and are actively monitored, reported and managed throughout the organisation to executive and Board level;
	An Internal Audit department which reviews key systems and controls with full access to the Audit and Risk Committee.
Risk management	An Executive Risk Committee to monitor risk governance and to assist the Board in discharging its responsibilities in ensuring that risks are properly identified, reported and assessed; that risks are appropriately mitigated and controlled; and that strategy is informed by, and aligned with, the Group's risk appetite.
Monitoring and control	A comprehensive system of management and financial reporting across all functions including finance, legal and other corporate services, health, safety and security, asset maintenance and development, commercial and operations;
	Clearly defined limits and procedures for financial expenditure;
	Executive management over-seeing capital, revenue, cost and employment matters;
	Annual scorecards, budgets and financial plans for the Group and business units;
	Regular monitoring of Group financial and operating performance against budgets and scorecards; regular reporting to Board on business performance;
	The Company has specific arrangements for procurement in place including a formal procurement function and the promulgation of policies and procedures to staff to ensure compliance with the applicable EU and Irish legal requirements (in particular, the Utilities Directive 2014/25/EU and the Concessions Directive 2014/23/EU and the associated secondary legislation under Irish law).

Review of effectiveness of risk management and control procedures
daa has procedures to monitor the effectiveness of its risk management and control procedures. daa's monitoring and review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Audit and Risk Committee which oversees their work, and the senior management within daa responsible for the development and maintenance of the internal control framework.

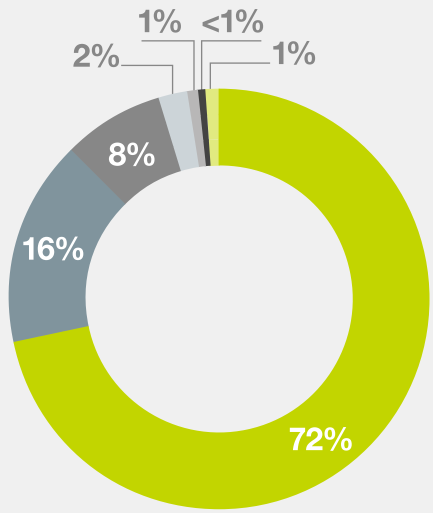
The Board conducted an annual review of the effectiveness of the internal controls for 2018. No significant weaknesses in key internal control procedures were identified in relation to 2018 that have had a material impact on the Group's financial performance or condition that require disclosure in the financial statements.

Reporting requirements
The Code of Practice also sets out reporting requirements in relation to specific types of expenditure for the year ended 31 December 2018. Travel and subsistence costs charged to the profit and loss account for the year amounted to €0.9 million (national) and €2.4 million (international). Hospitality and staff wellbeing costs charged to the profit and loss account amounted to €1.5 million. Consultancy costs charged to the profit and loss account amounted to €0.8 million. The main consultancy categories are; Regulation €0.5 million, Aviation €0.2 million and Security €0.1 million.

Legal and compensation payments primarily relating to insurance in the year are set out in Note 20 of the financial statements. Other legal and settlement payments for concluded and settled legal cases amounted to €1.4 million in the year. Amounts relating to pension costs charged to the profit and loss account were €11.1 million as set out in Note 3 to the financial statements. Termination payments paid in the year amounted to €1.5 million.

Employee benefits comprise all regular earnings, salary, overtime, shift-related, performance-based earnings and other benefits such as medical insurance (remuneration) but exclude employer pension contributions. Overtime paid during the year amounted to €4.1 million and allowances paid during the year amounted to €3.7 million for the year ended 31 December 2018, which are included in employee benefits as displayed opposite. Details of employee benefits for the Group's activities across its domestic and international businesses are also displayed opposite.

Employee benefits



Total remuneration	No. of employees
Up to €50,000*	3,774
>€50,000 to €75,000	835
>€75,000 to €100,000	410
>€100,000 to €125,000	121
>€125,000 to €150,000	40
>€150,000 to €175,000	29
>€175,000	48

* Employee numbers include all full and part-time employees who worked for the Group for a portion of the year.

Employee numbers expressed on a full-time equivalent basis are disclosed in Note 3 to the financial statements.

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2018 in accordance with the requirements of Section 325 of the Companies Act 2014.

Principal activities
The Group's principal activities are airport development, operation and management, international airport retailing and international airport investment. The Group owns and operates the two largest airports in the Republic of Ireland, has airport retail activities in Ireland and a range of international locations. Outside of Ireland, the Group currently has investments in three European airports, and operates Terminal 5, at King Khalid International airport in Riyadh, Saudi Arabia on a contract basis.

Review of the business and future developments
Commentaries on performance for the year ended 31 December 2018, including information on recent events and likely future developments are contained in the Chief Executive's Review. The financial position, principal risks and uncertainties facing the business and key performance indicators are contained in the Financial Review and the Risk Report.

Results and dividends for the year
The financial results of the Group for the year show a profit for the financial year amounting to €132.6 million compared with a profit of €125.1 million for 2017 in both cases after taxation and before exceptional items.

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

The Board has recommended an interim dividend of €40.0 million (2017 dividend of €37.4 million paid in 2018).

Going concern
The Directors, having reviewed the Group's projections, with particular reference to its operating cash flow, capital commitments, liquidity and funding position, 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 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate systems, appropriate controls and resources to the financial function. The books of account of the Company are maintained at the Company's premises at Dublin and Cork airports and at its Shared Services Centre in Limerick.

Information to the auditors
Each Board member confirms that, so far as they are aware, there is no relevant audit information of which the Company's statutory auditors are unaware and that they have taken all appropriate steps to make themselves aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Research and development
During the year the Group engaged in certain research and development related activities, primarily in relation to development in the information technology area.

Health and safety
The wellbeing of the Group's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Acts 2005 and 2010 impose certain requirements on employers and all relevant companies within the Group take the necessary action to ensure compliance with the Acts.

Subsidiary, associated and joint venture undertakings
The information required by Section 314 of the Companies Act 2014 in relation to subsidiary, associated and joint venture undertakings is set out in Note 13.

Prompt payments act
Internal financial controls are in place to ensure compliance, in all material respects, with the provisions of the Prompt Payment of Accounts Act 1997 as amended by the European Communities (Late Payments in Commercial Transactions) Regulations 2002 and 2012. Standard terms of credit taken, unless otherwise specified in specific contractual arrangements, are 30 days. As in previous years, substantially all payments were made within the appropriate credit period as required.

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

Lobbying act
In accordance with the Regulation of the Lobbying Act, 2015, the Group is registered on the register and has made returns in compliance with the Act.

Directors' compliance statement
As required by section 225(2) of the Companies Act 2014 the Directors: (a) acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in that legislation); (b) confirm that a compliance policy statement has been drawn up and that appropriate arrangements or structures are in place that are, in the opinion of the Directors', designed to secure material compliance with the relevant obligations; and (c) confirm that a review has been conducted during the 2018 financial year of the arrangements and/or structures that have been put in place as referred to in (b) above.

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

Auditors
Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, have indicated their willingness to continue in office as external auditor in accordance with Section 383 (2) of the Companies Act 2014.

Approved by the Board and signed on its behalf by:

Basil Geoghegan
Chairman
21 March 2019

Gerry Walsh
Director

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' report and the Financial Statements in accordance with the Companies Act 2014.

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('relevant financial reporting framework'). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and parent Company as at the financial year end date and of the profit or loss of the Group and parent Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the parent Company and the Group financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The Directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Independent auditor’s report to the members of daa plc

Report on the audit of the financial statements

Opinion on the financial statements of daa plc (the ‘Company’)

In our opinion the Group and parent Company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and parent Company as at 31 December 2018 and of the profit of the Group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

The Group financial statements:

- the Group Profit and Loss Account;
- the Group Statement of Comprehensive Income;
- the Group Balance Sheet;
- the Group Statement of Cash Flows;
- the Group Statement of Changes in Equity; and
- the related Notes 1 to 34, including a summary of significant accounting policies as set out in Note 33.

The Parent Company financial statements:

- the Parent Company Balance Sheet;
- the Parent Company Statement of Changes in Equity; and
- the related Notes 1 to 34, including a summary of significant accounting policies as set out in Note 33.

The relevant financial reporting framework that has been applied in the preparation of the Group and parent Company financial statements, is the Companies Act 2014 and FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (‘the relevant financial reporting framework’).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the ‘*Auditor’s responsibilities for the audit of the financial statements*’ section of our report.

We are independent of the Group and parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors’ use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or parent Company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Reports and Consolidated Financial Statements for the financial year ended 31 December 2018, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of daa plc continued

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the consolidated financial statements. The Group auditor is responsible for the direction, supervision and performance of the Group audit. The Group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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.

Opinion on other matters prescribed by the Companies Act 2014
Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the parent Company were sufficient to permit the financial statements to be readily and properly audited.
- The parent Company balance sheet is in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception
Based on the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Under the 2016 Code of Practice for the Governance of State Bodies (the "Code of Practice"), we are required to report to you if the statement regarding the system of internal financial control required under the Code of Practice as included in the Corporate Governance Statement in the Report of the Directors does not reflect the Group's compliance with paragraph 1.9 (iv) of the Code of Practice or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in respect of this responsibility.

Kevin Sheehan
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte and Touche House, Earlsfort Terrace, Dublin 2
21 March 2019

Group profit and loss account
for the financial year ended 31 December 2018

	Note	2018 Pre-exceptional €000	2018 Exceptional and fair value movements €000	2018 Total €000	2017 Pre-exceptional €000	2017 Exceptional and fair value movements €000	2017 Total €000
Turnover – continuing operations	2	**896,901**	**–**	**896,901**	854,582	–	854,582
Operating costs							
Cost of goods for resale		**(182,198)**	**–**	**(182,198)**	(174,338)	–	(174,338)
Payroll and related costs	3	**(231,876)**	**–**	**(231,876)**	(221,825)	–	(221,825)
Materials and services		**(193,822)**	**–**	**(193,822)**	(187,518)	–	(187,518)
		(607,896)	**–**	**(607,896)**	(583,681)	–	(583,681)
Earnings before interest, tax, depreciation and amortisation		**289,005**	**–**	**289,005**	270,901	–	270,901
Depreciation and amortisation		**(124,368)**	**–**	**(124,368)**	(113,024)	–	(113,024)
Fair value movement on investment property	5	**–**	**5,655**	**5,655**	–	6,804	6,804
Fair value movement on tangible fixed asset	5	**–**	**2,811**	**2,811**	–	–	–
Group operating profit – continuing operations		**164,637**	**8,466**	**173,103**	157,877	6,804	164,681
Share of operating profit							
Joint venture undertakings		**2,471**	**–**	**2,471**	2,130	–	2,130
Associated undertakings	4	**14,828**	**–**	**14,828**	27,413	–	27,413
Group profit before interest and taxation		**181,936**	**8,466**	**190,402**	187,420	6,804	194,224
Finance income	6	**3,232**	**–**	**3,232**	3,758	–	3,758
Interest receivable and similar income	6	**1,167**	**–**	**1,167**	1,001	–	1,001
Interest payable and similar charges	6	**(30,585)**	**–**	**(30,585)**	(41,178)	–	(41,178)
Group profit on ordinary activities before taxation	7	**155,750**	**8,466**	**164,216**	151,001	6,804	157,805
Taxation on profit on ordinary activities	8	**(21,112)**	**(1,550)**	**(22,662)**	(20,225)	(1,602)	(21,827)
Profit after taxation		**134,638**	**6,916**	**141,554**	130,776	5,202	135,978
Attributable to:							
Non-controlling interest		**2,010**	**–**	**2,010**	5,662	–	5,662
Equity shareholders of the Group		**132,628**	**6,916**	**139,544**	125,114	5,202	130,316
Profit for the financial year for the Group		**132,628**	**6,916**	**139,544**	125,114	5,202	130,316

Group statement of comprehensive income
for the financial year ended 31 December 2018

	Note	2018 €000	2017 €000
Group profit for the financial year		**139,544**	130,316
Exchange differences on translation of overseas investments (arising on net assets)			
Subsidiary undertakings	22	**589**	(4,332)
Associated undertakings	22	**92**	(2,681)
Purchase of non-controlling shareholding		**–**	(3,226)
Re-measurement of net defined benefit liability	23	**1,003**	2,043
Deferred tax charge thereon		**(124)**	(263)
Other comprehensive income for the financial year			
Equity shareholders of the Group		**141,104**	121,857
Non-controlling interest profit for the financial year		**2,010**	5,662
Exchange differences on translation of overseas non-controlling interests		**664**	(1,605)
Other comprehensive income for the financial year			
Non-controlling interest		**2,674**	4,057
Total other comprehensive income for the financial year attributable to:			
Non-controlling interest		**2,674**	4,057
Equity shareholders of the Group		**141,104**	121,857

Group balance sheet
as at 31 December 2018

	Note	2018 €000	2017 €000
Fixed assets			
Tangible assets	10	**1,707,708**	1,716,834
Intangible assets	11	**51,750**	55,948
Investment property	12	**148,330**	123,598
		1,907,788	1,896,380
Investments			
Investments in joint venture undertakings		**1,061**	1,499
Investments in associated undertakings		**104,118**	106,333
Other financial assets		**22,845**	21,641
Total investments	13	**128,024**	129,473
Total fixed assets		**2,035,812**	2,025,853
Current assets			
Stocks	14	**45,670**	43,214
Debtors	15	**67,846**	57,557
Cash and cash equivalents	25	**361,145**	594,975
		474,661	695,746
Creditors: amounts falling due within one year	16	**(226,797)**	(508,005)
Net current assets		**247,864**	187,741
Total assets less current liabilities		**2,283,676**	2,213,594
Creditors: amounts falling due after more than one year	17	**(770,310)**	(817,510)
Capital grants	19	**(8,016)**	(8,705)
Provisions for liabilities	20	**(106,956)**	(94,102)
Net assets		**1,398,394**	1,293,277
Capital and reserves			
Called up share capital – presented as equity	22	**186,337**	186,337
Profit and loss account		**1,193,194**	1,090,171
Other reserves	22	**479**	(202)
Shareholders' funds		**1,380,010**	1,276,306
Non-controlling interest	30	**18,384**	16,971
		1,398,394	1,293,277

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2019.

They were signed on its behalf by:

Basil Geoghegan
Chairman

Gerry Walsh
Director

Company balance sheet
as at 31 December 2018

	Note	2018 €000	2017 €000
Fixed assets			
Tangible assets	10	**1,676,801**	1,682,778
Intangible assets	11	**232**	614
Investment property	12	**141,745**	117,558
		1,818,778	1,800,950
Investments			
Investments in subsidiaries, associated undertakings and other financial assets	13	**9,325**	13,146
Total fixed assets		**1,828,103**	1,814,096
Current assets			
Stocks	14	**15,044**	13,987
Debtors	15	**84,705**	88,407
Cash and cash equivalents		**273,725**	378,275
		373,474	480,669
Creditors: amounts falling due within one year	16	**(910,425)**	(1,084,386)
Net current liabilities		**(536,951)**	(603,717)
Total assets less current liabilities		**1,291,152**	1,210,379
Creditors: amounts falling due after more than one year	17	**(184,731)**	(205,810)
Capital grants	19	**(8,016)**	(8,705)
Provisions for liabilities	20	**(99,482)**	(87,044)
Net assets		**998,923**	908,820
Capital and reserves			
Called up share capital – presented as equity	22	**186,337**	186,337
Profit and loss account		**812,586**	722,483
Shareholders' funds		**998,923**	908,820

The Company reported a profit for the financial year ended 31 December 2018 of €126.6 million (2017: €106.7 million).

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2019.

They were signed on its behalf by:

Basil Geoghegan
Chairman

Gerry Walsh
Director

Group statement of cash flows
for the financial year ended 31 December 2018

	Note	2018 €000	2017 €000
Net cash flows from operating activities	24	**279,672**	247,381
Cash flows from investing activities			
Dividends received	13	**18,921**	26,481
Proceeds from sale of tangible fixed assets		**32**	51
Grants received	19	**–**	28
Additions to purchase of tangible fixed assets		**(118,925)**	(170,214)
Additions to purchase of investment property	12	**(14,809)**	(1)
Additions to purchase of intangible assets – software	11	**(952)**	(979)
Additions to purchase of additional shares in subsidiary undertaking		**–**	(4,759)
Interest and similar income received		**491**	468
Income from other financial assets	6	**2,662**	3,176
Repayment of financial asset	13	**302**	442
Proceeds from part disposal of associate undertaking		**1,238**	–
Purchase of shareholding in associate undertaking		**(630)**	–
Net cash flows from investing activities		**(111,670)**	(145,307)
Cash flows from financing activities			
Dividends paid to shareholder		**(37,400)**	(29,100)
Dividends paid to non-controlling interest	30	**(1,261)**	(2,570)
Repayment of bank loans		**(43,798)**	(42,605)
Interest and similar charges paid		**(29,040)**	(38,707)
Redemption of loan notes		**(290,218)**	–
Net cash flows from financing activities		**(401,717)**	(112,982)
Net decrease in cash and cash equivalents		**(233,715)**	(10,908)
Cash and cash equivalents at beginning of financial year		**594,975**	606,228
Effect of foreign exchange rate changes		**(115)**	(345)
Net decrease in cash and cash equivalents		**(233,715)**	(10,908)
Cash and cash equivalents at end of financial year		**361,145**	594,975

A cash flow statement has not been disclosed for the Company as it is taking an exemption from disclosing company cash flows under FRS 102, as the Group consolidated financial statements prepares and discloses a cash flow statement.

Group statement of changes in equity
for the financial year ended 31 December 2018

	Called-up share capital €000	Translation reserve €000	Other capital reserve €000	Profit and loss account €000	Total €000	Non-controlling interest €000	Total €000
At 1 January 2018	**186,337**	**(448)**	**246**	**1,090,171**	**1,276,306**	**16,971**	**1,293,277**
Profit for the financial year	**–**	**–**	**–**	**139,544**	**139,544**	**2,010**	**141,554**
Re-measurement of net defined benefit liability	**–**	**–**	**–**	**1,003**	**1,003**	**–**	**1,003**
Tax relating to items of other comprehensive income	**–**	**–**	**–**	**(124)**	**(124)**	**–**	**(124)**
Exchange differences on translation of overseas investments	**–**	**681**	**–**	**–**	**681**	**664**	**1,345**
Total comprehensive income	**–**	**681**	**–**	**140,423**	**141,104**	**2,674**	**143,778**
Non-controlling interest dividend proposed and paid	**–**	**–**	**–**	**–**	**–**	**(1,261)**	**(1,261)**
Transactions with owners recognised directly in equity							
Dividends	**–**	**–**	**–**	**(37,400)**	**(37,400)**	**–**	**(37,400)**
Balance at 31 December 2018	**186,337**	**233**	**246**	**1,193,194**	**1,380,010**	**18,384**	**1,398,394**
At 1 January 2017	186,337	6,565	246	990,401	1,183,549	16,864	1,200,413
Profit for the financial year	–	–	–	130,316	130,316	5,662	135,978
Re-measurement of net defined benefit liability	–	–	–	2,043	2,043	–	2,043
Tax relating to items of other comprehensive income	–	–	–	(263)	(263)	–	(263)
Exchange differences on translation of overseas investments	–	(7,013)	–	–	(7,013)	(1,605)	(8,618)
Purchase of non-controlling interest in subsidiary undertaking	–	–	–	(3,226)	(3,226)	(1,533)	(4,759)
Total comprehensive income	–	(7,013)	–	128,870	121,857	2,524	124,381
Non-controlling interest dividend proposed and paid	–	–	–	–	–	(2,417)	(2,417)
Transactions with owners recognised directly in equity							
Dividends	–	–	–	(29,100)	(29,100)	–	(29,100)
Balance at 31 December 2017	186,337	(448)	246	1,090,171	1,276,306	16,971	1,293,277

Company statement of changes in equity
for the financial year ended 31 December 2018

Company

	Called-up share capital €000	Profit and loss account €000	Total €000
At 1 January 2018	**186,337**	**722,483**	**908,820**
Profit for the financial year	**–**	**126,618**	**126,618**
Re-measurement of net defined benefit liability	**–**	**1,011**	**1,011**
Tax relating to items of other comprehensive income	**–**	**(126)**	**(126)**
Total comprehensive income	**–**	**127,503**	**127,503**
Dividends	**–**	**(37,400)**	**(37,400)**
Balance at 31 December 2018	**186,337**	**812,586**	**998,923**
At 1 January 2017	186,337	643,158	829,495
Profit for the financial year	–	106,654	106,654
Re-measurement of net defined benefit liability	–	2,024	2,024
Tax relating to items of other comprehensive income	–	(253)	(253)
Total comprehensive income	–	108,425	108,425
Dividends	–	(29,100)	(29,100)
Balance at 31 December 2017	186,337	722,483	908,820

1. General information and basis of preparation

daa plc is a company incorporated in Ireland under the Companies Act 2014. The address of the registered office is Head Office, Dublin Airport, Co. Dublin. The nature of the Group's operations and its principal activities are set out in the report of the Directors.

The financial statements are prepared in accordance with generally accepted accounting principles in Ireland under the historical cost convention, modified to include certain items at fair value, and comply with Financial Reporting Standard 102 (FRS 102) of the Financial Reporting Council, as promulgated by the Institute of Chartered Accountants in Ireland and Irish statute comprising the Companies Act 2014.

The functional currency of the Group is considered to be Euro as that is the currency of the primary economic environment in which the Group operates.

The financial statements have been prepared in accordance with the accounting policies, as set out in Note 33, and have been applied consistently with the prior year. Refer to Note 34 for the Critical Accounting Judgements and Key Sources of Estimation Uncertainty.

2. Turnover

An analysis of the Group's turnover by class of business is as follows:

	2018 €000	2017 €000
Ireland		
Aeronautical turnover	**318,860**	307,017
Direct retailing and retail/catering concessions	**163,238**	154,738
Other commercial activities	**158,676**	145,785
Total Ireland	**640,774**	607,540
International retail and other activities	**256,127**	247,042
Total turnover	**896,901**	854,582
By geographical area		
Australasia	**77,112**	69,872
Europe	**736,054**	703,360
Middle East	**32,872**	33,436
North America	**50,863**	47,914
	896,901	854,582

An analysis of the Group's turnover by category is as follows:

Sale of goods	**361,927**	346,384
Rendering of services	**534,974**	508,198
Total turnover	**896,901**	854,582

3. Payroll and related costs

	2018 €000	2017 €000
Wages and salaries	**210,649**	202,198
Social insurance costs	**20,053**	19,321
Retirement benefit costs (Note 23)	**11,140**	10,378
Other payroll and related costs	**4,586**	3,252
	246,428	235,149
Staff costs capitalised into fixed assets (Note 10)	**(14,552)**	(13,324)
Total payroll and related costs	**231,876**	221,825

	2018	2017
Average monthly employee numbers (full time equivalents) were as follows:		
Airports	**3,047**	2,923
International activities	**992**	932
	4,039	3,855

4. Share of operating profits of associated undertakings

€14.8 million (2017: €27.4 million) relates to the Group's share of profits after interest and taxation for the year in its associated undertakings (Note 13) as defined in Note 33. Management fees and other direct income from these undertakings are included in turnover of the Group. The Group's share of any profits or losses from transactions between the Group and its associated undertakings are eliminated where they are included in the carrying amount of the assets in the associated undertaking.

5. Exceptional items and fair value movements

Fair value movement on investment property

The Group has engaged independent valuation specialists to determine the fair value of its properties deemed to be investment properties at 31 December 2018 (Note 12). These valuations resulted in the Group recognising a fair value revaluation gain of €5.7 million (2017: gain of €6.8 million). The impact on taxation was the recognition of a net deferred tax charge of €1.2 million (2017: charge of €1.6 million).

Gain on tangible fixed asset

The Group recognised a gain of €2.8 million in relation to the acquisition of an asset arising from a licence arrangement. The impact on taxation was the recognition of a tax charge of €0.4 million (2017: €Nil).

6. Finance income/expense

	2018 €000	2017 €000
Other financial income		
Income from unlisted investment	**2,662**	3,176
Derivative financial instruments revaluation	**275**	(75)
Financial assets revaluation	**295**	657
Total other financial income	**3,232**	3,758

	2018 €000	2017 €000
Interest receivable and similar income		
Income from listed and unlisted investments	**602**	527
Income on retirement benefits (Note 23)	**565**	474
Total interest receivable and similar income	**1,167**	1,001

	2018 €000	2017 €000
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	**11,143**	12,488
Interest on loan notes	**16,167**	25,333
Amortisation of issue costs/other funding costs	**692**	823
Other interest payable	**2,215**	2,280
Interest expense on retirement benefits (Note 23)	**701**	670
Total interest payable	**30,918**	41,594
Interest payable capitalised	**(333)**	(416)
Total interest payable and similar charges	**30,585**	41,178

7. Profit on ordinary activities before taxation

Group profit on ordinary activities before taxation is stated after charging/(crediting) the following:

	2018 €000	2017 €000
Auditors' remuneration		
Auditor – Irish firm		
Audit of the Group financial statements	**233**	231
Other assurance services	**17**	11
Tax advisory services	**72**	103
	322	345
Auditor – international firms		
Other assurance services	**142**	142
Tax advisory services	**32**	32
Other non-audit services	**16**	10
	190	184
	512	529

Included in the above are audit fees incurred of €43,000 for the statutory audit of the Company (2017: €43,000), €10,000 for other assurance services (2017: €Nil) and €19,000 for tax advisory services (2017: €23,000).

7. Profit on ordinary activities before taxation continued

	2018 €000	2017 €000
Operating lease rentals		
Equipment	**545**	348
Buildings	**2,184**	1,742
Depreciation (Note 10)	**118,243**	107,528
Loss on retirements and disposals of tangible and intangible assets	**107**	104
Amortisation of capital grants (Note 19)	**(689)**	(680)
Amortisation of intangible assets and goodwill (Note 11)	**5,894**	6,070
Foreign exchange loss/(gain)	**635**	(459)

Directors' remuneration

Remuneration of Directors, including disclosures in accordance with the Code of Practice for the Governance of State Bodies (the 'Code of Practice') and the Companies Act 2014, is set out below:

	2018 €000	2017 €000
Directors' fees – for		
Services as Directors	**141**	155
Other amounts – in connection to their employment	**696**	599
Pension contributions – defined contribution scheme	**136**	125
	973	879

Other amounts include remuneration of the Chief Executive and of directors elected pursuant to the Worker Participation (State Enterprises) Acts 1977 to 2001 arising from their normal contracts of employment, in each case for the portion of the year for which they were Directors.

Pension contributions includes aggregate pension contributions paid, treated as paid or payable during the financial year in respect of qualifying services of Directors of €136,237 (2017: €125,097). Pension contributions have been made in respect of 6 Directors (2017: 5 Directors), each of whom have contracts of employment with the Group.

Directors' fees are determined by the Minister for Transport, Tourism and Sport, with the consent of the Minister for Public Expenditure and Reform and are currently payable at the annual rate of €31,500 for the Chairman and €15,750 for individual Directors. In accordance with the Code of Practice, details of fees payable to individual Directors during 2018 and 2017 were as follows:

	2018 €	2017 €
Basil Geoghegan*	**17,221**	–
Pádraig Ó Ríordáin**	**1,575**	31,500
Niall Greene	**15,750**	15,750
John Lynch	**–**	1,444
Colm McCarthy	**15,750**	12,261
Des Mullally	**350**	15,750
Barry Nevin	**15,750**	15,750
Eric Nolan	**15,750**	15,750
Paul Schütz	**7,918**	15,750
Denis Smyth	**15,750**	15,750
Gerry Walsh	**15,750**	15,750
Paul Mehlhorn	**15,400**	–
Risteard Sheridan	**4,237**	–
Patricia King***	**–**	–
Dalton Philips	**–**	–

* Basil Geoghegan was appointed as Chairman on 14 June 2018.
** Pádraig Ó Ríordáin's term as Chairman expired on 18 January 2018.
*** Patricia King opted to waive her Director's fee.

Expenses paid to members of the Board during the year in respect of services as Director, disclosed in accordance with the Code of Practice, were €14,072 (2017: €12,951). These amounts primarily related to travel, subsistence and reimbursed expenses.

Dalton Philips was appointed to the office of Chief Executive on 2 October 2017. Pursuant to his contract, the salary of Mr Philips is €250,000 per annum. Total remuneration in respect of Mr Philips for 2018 amounted to €394,830 (2017: €86,903) which included basic salary of €250,000 (2017: €52,743) and pension contributions and other taxable benefits of €144,830 (2017: €34,160). Mr Philips did not receive a Director's fee.

8. Tax on profit on ordinary activities

The tax charge comprises:

	2018 €000	2017 €000
Current tax on profit on ordinary activities:		
Corporation tax – Ireland	**3,673**	3,140
Foreign tax credit	**(3,399)**	(3,137)
Overseas corporation tax	**4,640**	4,514
Adjustment in respect of prior financial years:		
Irish corporation tax	**43**	57
Total current tax charge	**4,957**	4,574
Deferred tax:		
Origination/reversal of timing differences		
Attributable to Group	**17,063**	16,592
Adjustment in respect of prior financial years	**525**	498
Timing differences relating to retirement benefit obligations	**117**	163
Total deferred tax charge	**17,705**	17,253
Total tax on profit on ordinary activities	**22,662**	21,827
Total current and deferred tax charge relating to items of other comprehensive income	**124**	263

The Group's Irish operations are subject to differing rates of corporation taxation, according to the nature of activities. During 2018 and 2017, these rates varied from 12.5% to 25% while the standard rate of corporation taxation was 12.5%.

Based on profit for the year, the current tax charge for the period is higher (2017: 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:

	2018 €000	2017 €000
Profit on ordinary activities before taxation	**164,216**	157,805
Profit on ordinary activities at standard Irish corporation tax rate of 12.5% (2017: 12.5%)	**20,527**	19,726
Effects of:		
Permanent differences	**1,387**	1,287
Income taxed at higher rates	**2,393**	1,545
Revaluations taxed at higher rates	**492**	511
Prior year adjustments	**568**	545
Foreign tax on branch activities	**694**	1,350
Foreign tax credit	**(3,399)**	(3,137)
Total tax charge for the financial year	**22,662**	21,827

Corporation tax is provided on taxable profits at current rates.

Total current and deferred tax relating to items of other comprehensive income for the financial year was a charge of €0.12 million (2017: charge of €0.26 million).

9. Company profit for the financial year

A separate Company profit and loss account is not presented, as provided for under the Companies Act 2014, Section 304(2). The profit for the financial year after exceptionals and taxation of €126.6 million (2017: €106.7 million profit after exceptionals and taxation) has been dealt with in the financial statements of the Company.

The Company has also availed of the exemption from filing its individual profit and loss with the Registrar of Companies as permitted by Section 357 of the Companies Act 2014.

10. Tangible fixed assets

Group	Terminal complexes & piers €000	Lands & airfields €000	Plant & equipment €000	Other property €000	Assets in the course of construction €000	Total €000
Cost						
At 1 January 2018	**971,246**	**433,280**	**861,848**	**381,720**	**150,149**	**2,798,243**
Additions	**1,847**	**71,298**	**11,300**	**5,219**	**25,013**	**114,677**
Transfer from completed assets	**35,788**	**7,462**	**12,808**	**588**	**(56,646)**	**–**
Transfer to investment properties	**–**	**–**	**–**	**–**	**(4,268)**	**(4,268)**
Transfer to intangible assets	**–**	**–**	**–**	**–**	**(96)**	**(96)**
Disposals/write offs	**(409)**	**(1,480)**	**(3,185)**	**(12)**	**–**	**(5,086)**
Translation reserve	**–**	**–**	**(405)**	**–**	**–**	**(405)**
At 31 December 2018	**1,008,472**	**510,560**	**882,366**	**387,515**	**114,152**	**2,903,065**
Depreciation						
At 1 January 2018	**295,059**	**169,648**	**471,775**	**144,927**	**–**	**1,081,409**
Charge for the financial year	**28,578**	**15,626**	**60,677**	**13,362**	**–**	**118,243**
Disposals/write offs	**(409)**	**(627)**	**(3,046)**	**(12)**	**–**	**(4,094)**
Translation reserve	**–**	**–**	**(201)**	**–**	**–**	**(201)**
At 31 December 2018	**323,228**	**184,647**	**529,205**	**158,277**	**–**	**1,195,357**
Net book value						
At 31 December 2018	**685,244**	**325,913**	**353,161**	**229,238**	**114,152**	**1,707,708**
At 31 December 2017	676,187	263,632	390,073	236,793	150,149	1,716,834

Company	Terminal complexes & piers €000	Lands & airfields €000	Plant & equipment €000	Other property €000	Assets in the course of construction €000	Total €000
Cost						
At 1 January 2018	**971,246**	**410,948**	**820,961**	**381,151**	**150,053**	**2,734,359**
Additions	**1,847**	**71,206**	**10,055**	**5,218**	**25,013**	**113,339**
Transfer from completed assets	**35,788**	**7,462**	**12,809**	**588**	**(56,647)**	**–**
Transfer to investment properties (Note 12)	**–**	**–**	**–**	**–**	**(4,268)**	**(4,268)**
Disposals/write offs	**(409)**	**(1,480)**	**(3,087)**	**(12)**	**–**	**(4,988)**
At 31 December 2018	**1,008,472**	**488,136**	**840,738**	**386,945**	**114,151**	**2,838,442**
Depreciation						
At 1 January 2018	**295,059**	**166,240**	**445,969**	**144,313**	**–**	**1,051,581**
Charge for the financial year	**28,578**	**15,627**	**56,537**	**13,351**	**–**	**114,093**
Disposals/write offs	**(409)**	**(627)**	**(2,985)**	**(12)**	**–**	**(4,033)**
At 31 December 2018	**323,228**	**181,240**	**499,521**	**157,652**	**–**	**1,161,641**
Net book value						
At 31 December 2018	**685,244**	**306,896**	**341,217**	**229,293**	**114,151**	**1,676,801**
At 31 December 2017	676,187	244,708	374,992	236,838	150,053	1,682,778

10. Tangible fixed assets continued

The accounting policies used by the Group for tangible fixed assets, including depreciation, cost capitalisation and impairment reviews, are set out in Note 33.

Lands and airfields include airport land at a cost of €29.0 million (2017: €28.6 million). Fixed asset additions include internal architectural, engineering and agency payroll costs of €14.6 million (2017: €13.3 million).

Cost of fixed assets includes cumulative interest capitalised of €69.4 million (2017: €69.1 million).

Interest of €0.3 million was capitalised in 2018 at a rate of 5.6% per annum (2017: €0.4 million at a rate of 5.6% per annum).

11. Intangible assets

Group	Software €000	Goodwill €000	Concession rights €000	Total €000
Cost				
At 1 January 2018	**14,509**	**24,410**	**66,706**	**105,625**
Additions	**952**	**701**	**–**	**1,653**
Translation movement	**(63)**	**–**	**(541)**	**(604)**
Disposals	**(95)**	**(42)**	**–**	**(137)**
Transfer from tangible fixed assets	**96**	**–**	**–**	**96**
At 31 December 2018	**15,399**	**25,069**	**66,165**	**106,633**
Amortisation				
At 1 January 2018	**12,528**	**11,870**	**25,279**	**49,677**
Charge for the financial year	**996**	**1,696**	**3,202**	**5,894**
Translation movement	**(73)**	**–**	**(520)**	**(593)**
Disposals	**(95)**	**–**	**–**	**(95)**
At 31 December 2018	**13,356**	**13,566**	**27,961**	**54,883**
Net book value				
At 31 December 2018	**2,043**	**11,503**	**38,204**	**51,750**
At 31 December 2017	1,981	12,540	41,427	55,948

Company	Software €000	Total €000
Cost		
At 1 January 2018	11,027	11,027
Disposals	(95)	(95)
At 31 December 2018	**10,932**	**10,932**
Amortisation		
At 1 January 2018	10,413	10,413
Charge for the financial year	382	382
Disposals	(95)	(95)
At 31 December 2018	**10,700**	**10,700**
Net book value		
At 31 December 2018	**232**	**232**
At 31 December 2017	614	614

The goodwill balance at 31 December 2018 comprises:

(i) Goodwill of €18.3 million relates to the 2008 acquisition of Aer Rianta International (Middle East) WLL ('ARIME'). The goodwill is being amortised from 2013 over ten years which is the average life of the concession agreements currently held by ARIME.

(ii) Goodwill of €6.1 million in respect of the deferred tax liability recognised on the capitalised concession rights arising from the acquisition of the residual 50% of CTC-ARI in 2014 net of the deferred tax asset recognised on the fair value adjustment of a loan receivable amount. This goodwill is being amortised from 2014 over seventeen years which is the contracted life of the concession agreement currently held by CTC-ARI.

(iii) On 1 June 2018, the Group acquired a 50% interest in PT Aura Cantik, an Indonesian Duty Free retailing company. The investment comprised an equity investment of €0.8 million and loan advance of €2.8 million. Goodwill of €0.7 million arose on the transaction. The goodwill is being amortised from 2018 over 6 years which is the contracted life of the concession agreement.

The accounting policies used by the Group for intangible fixed assets, including amortisation and cost capitalisation, are set out in Note 33.

12. Investment property

Group	Investment property €000	Property under construction €000	Total €000
Valuation			
At 1 January 2018	**123,189**	**409**	**123,598**
Additions	**–**	**14,809**	**14,809**
Revaluations (Note 5)	**5,655**	**–**	**5,655**
Transfer from tangible fixed assets	**–**	**4,268**	**4,268**
At 31 December 2018	**128,844**	**19,486**	**148,330**
At 31 December 2017	123,189	409	123,598

Company	Investment property €000	Property under construction €000	Total €000
Valuation			
At 1 January 2018	**117,149**	**409**	**117,558**
Additions	**–**	**14,809**	**14,809**
Transfer from tangible fixed assets	**–**	**4,268**	**4,268**
Revaluations	**5,110**	**–**	**5,110**
At 31 December 2018	**122,259**	**19,486**	**141,745**
At 31 December 2017	117,149	409	117,558

Investment property comprises land and buildings owned by the Group and is measured at fair value at each reporting date with changes in fair value recognised in profit and loss. The fair value of the investment properties is based on a valuation by independent valuers who hold a recognised and professional qualification and have recent experience in the location and class of the investment properties being valued.

Valuations are carried out having regard to comparable market evidence relevant to each specific property or class of properties. In assessing fair value for all of the investment properties, current and potential future income has been capitalised using yields derived from market evidence. The external valuers, in discussion with the Group's management, have determined the appropriate judgements used in the valuations based on the size of the properties, rental values, repair and condition.

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

13. Fixed assets – investments

Group	At 1 January 2018 €000	Additions/ other increases €000	Disposals/ other movements €000	At 31 December 2018 €000
Joint venture undertakings[a]				
Joint venture undertakings	**5,727**	**2,600**	**–**	**8,327**
Dividends received	**(4,228)**	**–**	**(3,038)**	**(7,266)**
	1,499	**2,600**	**(3,038)**	**1,061**
Associated undertakings				
Equity interest at cost	**63,785**	**–**	**(1,182)**	**62,603**
Share of post-acquisition profits	**304,145**	**14,828**	**–**	**318,973**
Dividends received	**(266,808)**	**–**	**(15,920)**	**(282,728)**
Translation reserve	**5,211**	**–**	**59**	**5,270**
	106,333	**14,828**	**(17,043)**	**104,118**
Other financial assets				
Listed investments[b]	**8,913**	**–**	**382**	**9,295**
Other unlisted investments[c]	**11,944**	**445**	**(302)**	**12,087**
Other financial assets[d]	**784**	**1,019**	**(340)**	**1,463**
	21,641	**1,464**	**(260)**	**22,845**
Total financial assets	**129,473**	**18,892**	**(20,341)**	**128,024**

	At 1 January 2017 €000	Additions/ other increases €000	Disposals/ other movements €000	At 31 December 2017 €000
Joint venture undertakings[a]				
Joint venture undertakings	3,538	2,189	–	5,727
Dividends received	(1,904)	–	(2,324)	(4,228)
	1,634	2,189	(2,324)	1,499
Associated undertakings				
Equity interest at cost	63,785	–	–	63,785
Share of post-acquisition profits	276,732	27,413	–	304,145
Dividends received	(242,651)	–	(24,157)	(266,808)
Translation reserve	7,953	–	(2,742)	5,211
	105,819	27,413	(26,899)	106,333
Other financial assets				
Listed investments[b]	10,262	–	(1,349)	8,913
Other unlisted investments[c]	11,412	974	(442)	11,944
Other financial assets[d]	859	–	(75)	784
	22,533	974	(1,866)	21,641
Total financial assets	129,986	30,576	(31,089)	129,473

Company	At 1 January 2018 €000	Additions/ other increases €000	Disposals/ other movements €000	At 31 December 2018 €000
Ordinary shares in subsidiary undertakings at cost	**12,102**	**–**	**(4,240)**	**7,862**
Capital contributions to subsidiary undertakings	**260**	**12,101**	**(12,361)**	**–**
Other financial assets[d]	**784**	**1,019**	**(340)**	**1,463**
	13,146	**13,120**	**(16,941)**	**9,325**

Company	At 1 January 2017 €000	Additions/ other increases €000	Disposals/ other movements €000	At 31 December 2017 €000
Ordinary shares in subsidiary undertakings at cost	12,102	–	–	12,102
Capital contributions to subsidiary undertakings	760	10,138	(10,638)	260
Other financial assets[d]	859	–	(75)	784
	13,721	10,138	(10,713)	13,146

a The joint venture undertaking relates to Cyprus Airports (F&B) Limited. The movement in joint venture undertakings reflects the 2018 share of profits of €2.6 million (2017: €2.2 million) and dividends received of €3.0 million (2017: €2.3 million).

b Listed investments are held by ARIME, a subsidiary undertaking, are carried at fair value and changes in fair value are recognised in the profit and loss. The investments are held in shares quoted on the Bahrain Stock Exchange.

c Other investments comprise loan stock that ARIME holds as an investment and a loan receivable amount that is due to CTC-ARI Airports Limited.

d At 31 December 2018, other financial assets are surplus carbon credits, valued at fair value through profit and loss leading to a fair value gain of €1.0 million (2017: €0.1 million). During the year, the gas and energy instruments were transferred to financial liabilities at €0.4 million.

In the opinion of the Directors, the net realisable values of the financial assets are not less than the carrying values. The basis on which financial assets are stated is set out in Note 33.

13. Fixed assets – investments continued

The principal operating subsidiary, associate and joint venture undertakings of the Group, all of which are included in the Group financial statements, together with the Group's beneficial holding of ordinary shares, net of minority interest, at 31 December 2018, are as set out below:

Undertaking	Registered office	Principal activity	%
Subsidiary undertakings			
ARI Auckland Limited	Auckland, New Zealand	Duty free shopping and related activities	100.0
Aer Rianta International cpt	Dublin, Ireland	International management services and airport investor	100.0
Aer Rianta International (Middle East) WLL	Manama, Bahrain	Duty free shopping and related activities	71.3
Aer Rianta International (North America) Inc.	Montreal, Canada	Duty free shopping and related activities	100.0
ASC Airport Services Consolidated Limited	Dublin, Ireland	Provision of services to daa plc	100.0
DAA Airport Services Limited	Dublin, Ireland	Secondment of employees to daa plc	100.0
DAA Finance plc	Dublin, Ireland	Financing company	100.0
DAA Operations Limited	Dublin, Ireland	Property development	100.0
DAA International Limited	Dublin, Ireland	Consultancy services	100.0
CTC-ARI Airports Limited	Nicosia, Cyprus	Duty free shopping and related activities	85.6
Gatland Property Limited	Dublin, Ireland	Property development	100.0
Halamar Development Limited	Dublin, Ireland	Property dealing and development	100.0
SkyZone Limited	Dublin, Ireland	Property investment	100.0
Joint Venture undertaking			
CTC Airports (F&B) Limited[1]	Nicosia, Cyprus	Duty free food and beverage related activities	35.6
PT Aura Cantik[2]	Jakarta, Indonesia	Duty free shopping and related activities	50.0
Associated undertakings			
Caribbean ARI Inc.[3]	Bridgetown, Barbados	Duty free shopping and related activities	50.0
Oman Sales & Services LLC	Muscat, Oman	Duty free shopping and related activities	35.6
Phoenicia Aer Rianta Management SAL	Beirut, Lebanon	Duty free shopping and related activities	35.6
Delhi Duty Free Services Private Limited	Delhi, India	Duty free shopping and related activities	33.1
Flughafen Düsseldorf GmbH	Düsseldorf, Germany	Airport operator	20.0
Phoenicia Aer Rianta Co. SAL[4]	Beirut, Lebanon	Duty free shopping and related activities	8.7

1 CTC Airports (F&B) Limited is treated as a joint venture as defined under FRS 102 Section 15 ('Investments in Joint Ventures') on the grounds that the Group exercises joint control over CTC Airports (F&B) Limited rather than significant influence or dominant control.
2 On 1 June 2018, the Group acquired a 50% interest in PT Aura Cantik, an Indonesian duty free company. The company is treated as a joint venture as defined under FRS 102 Section 15 ('Investment in Joint Ventures') on the grounds that the Group exercises joint control rather than significant influences or dominant control.
3 In the opinion of the Directors, Caribbean ARI Inc. should be treated as an associated undertaking as defined under FRS 102 Section 14 ('Investments in Associates') on the grounds that the Group exercises significant influence or dominant control.
4 On 15 May 2018, the Group reduced its interest in Phoenicia Aer Rianta Co. SAL from 11.5% to 8.7%.

All financial statements of subsidiary and associated undertakings are coterminous with the year end of the Group, other than in respect of Delhi Duty Free Services Private Limited whose financial statements are prepared to a 31 March year end. Management accounts of this entity have been prepared to 31 December 2018 for the purpose of including results of this company in the Group financial statements.

14. Stocks

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Goods for resale	**41,560**	39,225	**10,934**	9,998
Maintenance	**4,110**	3,989	**4,110**	3,989
	45,670	43,214	**15,044**	13,987

The replacement value of stock was not materially different from the carrying amount.

15. Debtors: amounts falling due within one year

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Trade debtors	**40,638**	41,565	**31,187**	34,360
Prepayments and accrued income	**15,724**	10,423	**11,044**	7,508
Due from subsidiary undertakings	**–**	–	**35,105**	40,687
Due from associated undertakings	**5,640**	1,408	**–**	–
Corporation tax	**574**	581	**271**	271
Other debtors	**5,270**	3,580	**7,098**	5,581
	67,846	57,557	**84,705**	88,407

Debtors of €0.0 million (2017: €0.3 million) in the Group and debtors of €0.0 million (2017: €0.3 million) in the Company, fall due after more than one year. Other debtors of the Group, include €0.7 million of borrowing costs capitalised at a rate of 0.05% (2017: €1.1 million at a rate of 0.05%). Other debtors of the Company, include borrowing costs of €2.6 million at a capitalisation rate of 0.05% (2017: €3.2 million at a capitalisation rate of 0.05%).

16. Creditors: amounts falling due within one year

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Bank loans (Note 18)	**45,047**	43,798	**18,741**	18,029
Loan notes (Note 18)	**–**	290,064	**–**	–
Trade creditors	**17,694**	17,004	**8,400**	5,000
Due to subsidiary undertakings	**–**	–	**745,577**	925,408
Other creditors	**22,726**	18,648	**21,471**	19,120
Accruals	**95,980**	85,229	**71,126**	63,850
Deferred income	**6,710**	6,173	**6,470**	5,890
Capital accruals	**38,640**	47,089	**38,640**	47,089
	226,797	508,005	**910,425**	1,084,386

Taxation and social welfare included in other creditors:

PAYE	**3,748**	3,212	**2,912**	2,712
PRSI	**1,932**	1,843	**1,932**	1,801
VAT	**3,668**	2,938	**5,075**	4,509
Other taxes	**3,147**	1,504	**1,348**	958

Creditors for tax and social welfare are payable in the timeframe set down in the relevant legislation.

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

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Bank loans (Note 18)	**358,774**	403,821	**171,292**	190,032
Loan notes (Note 18)	**398,097**	397,911	**–**	–
Accruals	**4,525**	6,152	**4,525**	6,152
Deferred income	**8,914**	9,626	**8,914**	9,626
	770,310	817,510	**184,731**	205,810

Deferred income of €2.9 million (2017: €3.1 million), Group and Company, falls due after more than five years.

18. Financial liabilities

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Repayable by instalments:				
Repayable within one year	**45,047**	43,798	**18,741**	18,029
Repayable within one to two years	**46,378**	45,047	**19,484**	18,741
Repayable within two to five years	**106,031**	117,264	**60,149**	59,781
Repayable after more than five years	**206,365**	241,510	**91,659**	111,510
	403,821	447,619	**190,033**	208,061
Repayable other than by instalments:				
Repayable within one year	**–**	290,064	**–**	–
Repayable after more than five years	**398,097**	397,911	**–**	–
	801,918	1,135,594	**190,033**	208,061
Split as follows:				
Bank loans	**403,821**	447,619	**190,033**	208,061
Loan notes	**398,097**	687,975	**–**	–
	801,918	1,135,594	**190,033**	208,061
Included in creditors falling due within one year (Note 16)	**45,047**	333,862	**18,741**	18,029
Included in creditors falling due after more than one year (Note 17)	**756,871**	801,732	**171,292**	190,032

The loan notes comprised €Nil million (2017: €290.2 million) of loan notes repayable in 2019 (less unamortised amounts) and €400 million (2017: €400 million) of loan notes repayable in 2028 (less unamortised amounts). Loan notes also include borrowing costs capitalised of €1.9 million split between €1.9 million at a capitalisation rate of 0.05% (2017: €2.2 million at a rate of 0.05%) and €Nil million at a capitalisation rate of Nil% (2017: €0.1 million at a rate of 0.08%). These loan notes are issued by the Group's subsidiary, DAA Finance plc, and are listed on the Main Securities Market of the Irish Stock Exchange. The loan notes are guaranteed by the Company.

At 31 December 2018, DAA Finance plc also had bank loans of €213.8 million (2017: €239.6 million) which are guaranteed by the Company. Interest rates and risk profile of financial liabilities are further analysed in Note 26.

The Company's bank loans at 31 December 2018 of €190.0 million (2017: €208.1 million) are unsecured and are repayable by instalments.

Borrowing facilities

The Group has a €300 million undrawn committed revolving credit facility as at 31 December 2018 in respect of which all conditions precedent have been met. This facility expires in more than two years but not more than five years.

19. Capital grants

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
At 1 January	**8,705**	10,156	**8,705**	10,156
Amortised to profit and loss account	**(689)**	(680)	**(689)**	(680)
Grants received	**–**	28	**–**	28
Grants transferred	**–**	(799)	**–**	(799)
At 31 December	**8,016**	8,705	**8,016**	8,705

Grants received relate to the development and expansion of certain airport facilities including multi-storey car park, apron facilities and software development.

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20. Provisions for liabilities

	Insurance and other[1] €000	Deferred tax (Note 21) €000	Restructuring programme[2] €000	Pension liability (Note 23) €000	Pension restructuring[3] €000	Total €000
Group						
At 1 January 2018	**19,319**	**59,664**	**5,799**	**6,401**	**2,919**	**94,102**
Charge/(credit) for the financial year	**701**	**(1,261)**	**–**	**(1,941)**	**–**	**(2,501)**
Utilised during the financial year	**(2,660)**	**18,958**	**(934)**	**–**	**(9)**	**15,355**
At 31 December 2018	**17,360**	**77,361**	**4,865**	**4,460**	**2,910**	**106,956**

	Insurance and other[1] €000	Deferred tax (Note 21) €000	Restructuring programme[2] €000	Pension liability (Note 23) €000	Pension restructuring[3] €000	Total €000
Group						
At 1 January 2017	18,422	42,344	9,084	9,874	2,919	82,643
Charge/(credit) for the financial year	3,355	6,750	–	(3,473)	–	6,632
Utilised during the financial year	(2,458)	10,570	(2,078)	–	–	6,034
Transferred to accruals	–	–	(1,207)	–	–	(1,207)
At 31 December 2017	19,319	59,664	5,799	6,401	2,919	94,102

	Insurance and other[1] €000	Deferred tax (Note 21) €000	Restructuring programme[2] €000	Pension liability (Note 23) €000	Pension restructuring[3] €000	Total €000
Company						
At 1 January 2018	**19,319**	**53,296**	**5,799**	**5,711**	**2,919**	**87,044**
Charge/(credit) for the financial year	**701**	**(1,686)**	**–**	**(1,932)**	**–**	**(2,917)**
Utilised during the financial year	**(2,660)**	**18,958**	**(934)**	**–**	**(9)**	**15,355**
At 31 December 2018	**17,360**	**70,568**	**4,865**	**3,779**	**2,910**	**99,482**

	Insurance and other[1] €000	Deferred tax (Note 21) €000	Restructuring programme[2] €000	Pension liability (Note 23) €000	Pension restructuring[3] €000	Total €000
Company						
At 1 January 2017	18,422	36,245	6,852	9,083	2,919	73,521
Charge/(credit) for the financial year	3,355	6,481	–	(3,372)	–	6,464
Utilised during the financial year	(2,458)	10,570	(1,053)	–	–	7,059
At 31 December 2017	19,319	53,296	5,799	5,711	2,919	87,044

In accordance with FRS 102, Section 21 'Provisions and Contingencies' the Group and Company carry provisions where there is uncertainty of timing or amount, where there is a present obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. It is expected that such liabilities will be settled within one to ten years.

1 A provision for reported and potential claims under its self-insurance programme and for other liabilities including legal claims.
2 The Group developed a restructuring programme following consultation with staff and staff representatives in prior years. Amounts utilised in the year primarily relate to payments made under the Group's restructuring programme. At 31 December 2018, €4.9 million (2017: €5.8 million) is remaining.
3 The remaining pension provision relates to the restructuring of the IAS Scheme which was frozen on 31 December 2014 (Note 23).

21. Deferred tax liability

	Group 2018 €000	Group 2017 €000	Company 2018 €000	Company 2017 €000
Deferred tax				
Deferred tax is provided as follows:				
Timing differences on capital allowances	**57,950**	62,575	**57,950**	62,575
Amounts temporarily not deductible for corporation tax	**388**	(1,473)	**(1,372)**	(3,011)
Tax losses available	**–**	(18,958)	**–**	(18,958)
Deferred tax assets arising in relation to retirement benefit obligations	**(656)**	(1,006)	**(473)**	(714)
Deferred tax on revaluations	**15,085**	13,888	**14,463**	13,404
Deferred tax in relation to goodwill	**4,594**	4,638	**–**	–
At 31 December	**77,361**	59,664	**70,568**	53,296

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

22. Called up share capital and other reserves

	Group and Company 2018 €000	Group and Company 2017 €000
Authorised:		
317,500,000 ordinary shares of €1 each	**317,500**	317,500
Allotted, called up and fully paid:		
186,336,813 ordinary shares of €1 each	**186,337**	186,337

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

Other reserves	**Translation reserves €000**	**Other capital reserves €000**	**Total €000**
Group			
At 1 January 2018	**(448)**	**246**	**(202)**
Exchange differences arising on translation of overseas investments	**681**	**–**	**681**
At 31 December 2018	**233**	**246**	**479**
At 1 January 2017	6,565	246	6,811
Exchange differences arising on translation of overseas investments	(7,013)	–	(7,013)
At 31 December 2017	(448)	246	(202)

23. Retirement benefits

The Group participates in a number of pension schemes, including both defined contribution and defined benefit schemes for its staff. Pension scheme assets are held in separate, Revenue-approved, trustee administered funds. The Group has accounted for retirement benefits under defined schemes in accordance with FRS 102, Section 28 'Employee Benefits'.

daa plc participates in a number of pension schemes in respect of its staff, the principal arrangements are as set out below.

a. daa Defined Contribution Retirement Savings Scheme (the 'daa DC Scheme')

The daa DC Scheme is a contributory defined contribution pension plan operated by the Group for its eligible, Irish based, employees. Contributions are paid by the members and the employer at fixed rates. The benefits secured at retirement reflect each employee's accumulated fund and the cost of purchasing benefits at that time. The daa DC Scheme has been effective since 1 January 2015 and is now the main arrangement for eligible employees at the Group's Irish airports for providing pension benefits in respect of reckonable service.

Prior to 1 January 2015, pension benefits, for the majority of eligible parent company employees, accrued in the Irish Airlines (General Employee) Superannuation Scheme (the 'IAS Scheme') and, in some cases, also in the Aer Rianta Supplemental Superannuation Scheme ('the AR Supplemental Scheme'). Following the restructuring of these schemes, accrued benefits were reduced (IAS Scheme) and frozen (both schemes) on 31 December 2014. Further details of these schemes are set out below.

b. The IAS Scheme

The IAS Scheme is a multi-employer scheme in which benefits were formerly accrued by eligible employees of the Company and of other member employers. Fixed contributions were made by the employers and employees in accordance with the scheme's trust deed and rules and the scheme is accounted for as a defined contribution scheme. Aer Lingus Limited, Shannon Airport Authority DAC and SR Technics (which has ceased trading) are the other employer members of the IAS Scheme. Following a restructuring of the IAS Scheme, benefits in this scheme were reduced and frozen for service up to 31 December 2014. The employers ceased to have any further liability to the scheme (save in relation to the ongoing expenses).

c. Aer Rianta Supplemental Superannuation Scheme ('the AR Supplemental Scheme')

This scheme is for certain categories of Company employees which provide certain retirement pension benefits supplementary to those payable under the IAS Scheme. This scheme is accounted for as a defined benefit scheme. As at 31 December 2014, accrued benefits were frozen, save for annual revaluation, and pension benefits in respect of service from that date are provided through the daa Defined Contribution Retirement Savings Scheme. The Group ceased to have any further liability in respect of ongoing regular contributions but retains an obligation to fund any actuarial deficits and ongoing expenses.

Aer Rianta International cpt ('ARI') operates a defined contribution pension scheme in respect of eligible Irish-based employees. Aer Rianta International (North America) Inc., a subsidiary of ARI, operates a defined benefit pension scheme ('the ARINA Scheme').

Employee benefits disclosures

The pension cost to the Group charged against operating profit for the financial year amounted to €11.1 million (2017: €10.4 million), see Note 3. The pension cost to the Company chargeable against operating profit for the financial year amounts to €8.9 million (2017: €8.3 million).

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Defined benefit arrangements – service cost	**515**	524	**172**	182
Defined contribution schemes	**10,625**	9,854	**8,674**	8,097
	11,140	10,378	**8,846**	8,279

23. Retirement benefits continued

The combined pension liabilities of arrangements, accounted for as defined benefit schemes were as follows:

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Gross pension liability	**4,461**	6,401	**3,779**	5,711

The AR Supplemental Scheme is actuarially valued every three years by independent professionally qualified actuaries. The actuarial valuations are not available for public inspection. In accordance with FRS 102, at each reporting date the most recent valuation of the scheme is updated by the actuaries to reflect financial assumptions that are current at the balance sheet date.

At 31 December 2018, the net pension liability in the Group was €3.8 million (2017: €5.5 million) being assets of €22.5 million (2017: €22.2 million) and present value of accrued scheme liabilities of €27.0 million (2017: €28.6 million) net of a related deferred tax asset of €0.7 million (2017: €0.9 million).

At 31 December 2018, the net pension liability in the Company was €3.3 million (2017: €5.0 million) being assets of €17.7 million (2017: €17.3 million) and present value of accrued scheme liabilities of €21.5 million (2017: €23.0 million) net of a related deferred tax asset of €0.5 million (2017: €0.7 million).

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

	Group and Company	
	As at 31/12/2018 Projected unit	As at 31/12/2017 Projected unit
Valuation method		
Rate of increase in salaries	**1.7% – 2.5%**	1.7% – 2.5%
Rate of increase in pension payment	**0.0% – 1.7%**	0.0% – 1.7%
Discount rate	**2.2% – 3.7%**	2.1% – 3.5%
Inflation assumption	**1.7% – 2.0%**	1.7% – 2.0%
Life expectancy		
Male member age 61-65	**22.4 – 25.3**	23.1 – 25.2
Male member age 40-45	**24.2 – 26.4**	25.9 – 26.4
Female member age 61-65	**24.3 – 29.8**	25.1 – 29.7
Female member age 40-45	**26.1 – 30.1**	28.0 – 30.7

The discount rate of 2.2% (Ireland) and 3.7% (overseas) is based on AA Rated Corporate Bonds which are considered appropriate for the duration of the liabilities of the schemes.

The asset allocations at the year-end were as follows:

	Group		Company	
	2018 Percentage of plan assets	2017 Percentage of plan assets	**2018 Percentage of plan assets**	2017 Percentage of plan assets
Equities	**41.2%**	48.9%	**36.1%**	47.4%
Bonds	**56.3%**	45.7%	**60.7%**	45.8%
Cash	**0.1%**	2.4%	**0.1%**	3.1%
Other	**2.4%**	3.0%	**3.1%**	3.7%
	100.0%	100.0%	**100.0%**	100.0%

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Amounts recognised in the balance sheet				
Present value of defined benefit obligations	**(27,020)**	(28,551)	**(21,491)**	(22,989)
Fair value of plan assets	**22,559**	22,150	**17,712**	17,278
Gross liability	**(4,461)**	(6,401)	**(3,779)**	(5,711)
Related deferred tax asset	**656**	900	**472**	714
Net liability	**(3,805)**	(5,501)	**(3,307)**	(4,997)
Change in benefit obligation				
Benefit obligation at beginning of financial year	**(28,551)**	(29,129)	**(22,989)**	(23,846)
Current service cost	**(515)**	(524)	**(172)**	(182)
Interest cost	**(701)**	(670)	**(501)**	(474)
Plan members' contributions	**(63)**	(67)	**–**	–
Remeasurement gain	**2,065**	1,071	**1,872**	1,299
Benefits paid	**542**	458	**299**	214
Translation gain	**203**	310	**–**	–
Benefit obligation (funded and unfunded) at end of financial year	**(27,020)**	(28,551)	**(21,491)**	(22,989)

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Change in plan assets				
Fair value of plan assets at beginning of financial year	**22,150**	19,255	**17,278**	14,763
Interest income	**565**	474	**394**	310
Remeasurement – Actuarial (loss)/gain	**(1,062)**	972	**(861)**	725
Employer contributions	**1,563**	2,104	**1,200**	1,694
Member contributions	**63**	67	**–**	–
Benefits paid from plan	**(542)**	(458)	**(299)**	(214)
Translation loss	**(178)**	(264)	**–**	–
Fair value of plan assets at end of financial year	**22,559**	22,150	**17,712**	17,278
Amounts recorded in profit and loss				
Current service cost	**515**	524	**172**	182
Interest cost	**136**	197	**107**	164
Total defined benefit pension expenses	**651**	721	**279**	346

The loss on plan assets was €0.2 million for the year (2017: a return of €0.2 million).

Other employee benefits

In previous years the Group developed a restructuring programme following consultation with staff and staff representatives. At the balance sheet date a provision remained for restructuring of €4.9 million (2017: €5.8 million), (Note 20). This is an unfunded liability, within the meaning of FRS 102, at the balance sheet date.

Termination and early retirement benefits were transferred to creditors' amounts due within one year and creditors' amounts greater than one year at 31 December 2018.

24. Cash flow statement

Reconciliation of operating profit to cash generated by operations

	Note	2018 €000	2017 €000
Operating profit		**173,103**	164,681
Adjustment for:			
Depreciation charge	10	**118,243**	107,528
Fair value movement on investment properties	12	**(5,655)**	(6,804)
Fair value on tangible assets	5	**(2,811)**	–
Taxation paid		**(3,421)**	(3,807)
Amortisation of intangible assets	11	**5,894**	6,070
Loss on disposal and retirements of tangible and intangible assets	7	**107**	104
Amortisation of capital grants	19	**(689)**	(680)
Profit on part disposal of associate undertaking		**(55)**	–
		284,716	267,092
Operating cash flow before movement in working capital			
Increase in stocks		**(2,456)**	(4,008)
Increase in debtors		**(11,086)**	(3,616)
Increase/(decrease) in creditors		**12,539**	(9,085)
Decrease in pension liability		**(1,139)**	(1,821)
Increase in insurance liability	20	**701**	3,355
Payments in respect of restructuring programme	20	**(934)**	(2,078)
Payments in respect of insurance and other provisions	20	**(2,669)**	(2,458)
Cash generated by operations		**279,672**	247,381

25. Analysis of net debt

	At 1 January 2018 €000	Cash flow €000	Non-cash movements €000	Foreign exchange movement €000	At 31 December 2018 €000
Cash	**90,756**	**5,504**	**–**	**(115)**	**96,145**
Cash equivalents	**504,219**	**(239,219)**	**–**	**–**	**265,000**
	594,975	**(233,715)**	**–**	**(115)**	**361,145**
Debt due within one year	**(333,862)**	**334,016**	**(45,201)**	**–**	**(45,047)**
Debt due after one year	**(801,732)**	**–**	**44,861**	**–**	**(756,871)**
	(1,135,594)	**334,016**	**(340)**	**–**	**(801,918)**
Total	**(540,619)**	**100,301**	**(340)**	**(115)**	**(440,773)**

	At 1 January 2017 €000	Cash flow €000	Non-cash movements €000	Foreign exchange movement €000	At 31 December 2017 €000
Cash	86,352	4,749	–	(345)	90,756
Cash equivalents	519,876	(15,657)	–	–	504,219
	606,228	(10,908)	–	(345)	594,975
Debt due within one year	(42,605)	42,605	(333,862)	–	(333,862)
Debt due after one year	(1,135,124)	–	333,392	–	(801,732)
	(1,177,729)	42,605	(470)	–	(1,135,594)
Total	(571,501)	31,697	(470)	(345)	(540,619)

26. Financial instruments

Narrative disclosures concerning the Group's treasury policy and management are set out in the 2018 Financial Review. The required disclosures in respect of relevant financial assets and liabilities (as defined) in accordance with FRS 102 Section 11 'Basic Financial Instruments' are provided below. Relevant financial assets/liabilities exclude short-term debtors and creditors and investments in subsidiaries and associated undertakings.

(i) Interest rate risk profile of financial liabilities and assets

The interest rate profile of the Group's relevant financial liabilities and interest bearing relevant financial assets at 31 December 2018 was:

	2018			2017		
	Total €000	**Floating rate €000**	**Fixed rate €000**	Total €000	Floating rate €000	Fixed rate €000
Financial liabilities						
Euro	**801,918**	**191,176**	**610,742**	1,135,594	206,471	929,123
Financial assets						
Euro	**336,193**	**336,193**	**–**	567,349	567,349	–
Sterling	**843**	**843**	**–**	655	655	–
US dollar	**10,153**	**10,153**	**–**	10,490	10,490	–
Canadian dollar	**6,122**	**6,122**	**–**	4,771	4,771	–
New Zealand dollar	**6,108**	**6,108**	**–**	5,054	5,054	–
Saudi riyal	**1,336**	**1,336**	**–**	6,102	6,102	–
Swiss franc	**307**	**307**	**–**	293	293	–
Australian dollar	**81**	**81**	**–**	261	261	–
Swedish kroner	**2**	**2**	**–**	–	–	–
	361,145	**361,145**	**–**	594,975	594,975	–

The weighted average interest rate for fixed rate Euro currency financial liabilities was 2.6% (2017: 3.9%) and the weighted average period for which the rate was fixed was 9.8 years (2017: 8.1 years). There were no financial liabilities on which no interest is paid. The floating rate financial assets were comprised of term and call bank deposits of less than one year that bore interest based on market rates. The benchmark rate for determining interest payments for the floating rate financial liabilities is six month EURIBOR.

26. Financial instruments continued

(ii) Currency exposures

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

	Net foreign currency monetary assets €000							
As at 31 December 2018	**Euro**	**Sterling**	**US dollar**	**Canadian dollar**	**Swiss franc**	**Australian dollar**	**Saudi riyal**	**Swedish kroner**
Functional currency of Group operations								
Euro	**–**	**622**	**457**	**1,472**	**112**	**8**	**4,165**	**2**
Canadian dollar	**26**	**–**	**288**	**–**	**–**	**–**	**–**	**–**
Hong Kong dollar	**9**	**–**	**2**	**–**	**–**	**–**	**–**	**–**
US dollar	**11,287**	**155**	**–**	**–**	**194**	**–**	**–**	**–**
New Zealand dollar	**6**	**66**	**31**	**–**	**–**	**73**	**–**	**–**
	11,328	**843**	**778**	**1,472**	**306**	**81**	**4,165**	**2**

As at 31 December 2017	Euro	Sterling	US dollar	Canadian dollar	Swiss franc	Australian dollar	Saudi riyal	Swedish kroner
Functional currency of Group operations								
Euro	–	389	290	2,472	51	–	8,691	–
Canadian dollar	21	–	298	–	–	–	–	–
Hong Kong dollar	8	–	–	–	–	–	–	–
US dollar	5,466	211	–	–	241	–	–	–
New Zealand dollar	6	56	74	–	–	261	–	–
	5,501	656	662	2,472	292	261	8,691	–

(iii) Carrying values of financial liabilities and assets

Set out below are the carrying values of the Group's relevant financial assets and liabilities:

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Financial assets				
Measured at fair value through profit or loss				
Financial asset	**10,758**	9,697	**1,463**	784
Debt instruments measured at amortised cost				
Loan stock receivable	**12,087**	11,944	**–**	–
Measured at undiscounted amount receivable				
Trade debtors	**40,638**	41,565	**31,187**	34,360
Other debtors	**5,270**	3,580	**7,098**	5,581
Amounts due from subsidiary undertakings	**–**	–	**35,105**	40,687
Amounts due from associated undertakings	**5,640**	1,408	**–**	–
	74,393	68,194	**74,853**	81,412
Financial liabilities				
Measured at fair values through profit or loss				
Financial liabilities	**405**	–	**405**	–
Measured at amortised cost				
Bank loans	**403,821**	447,619	**190,033**	208,061
Loan notes	**398,097**	687,975	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**618,489**	794,558
Measured at undiscounted amount payable				
Trade creditors	**17,694**	17,004	**8,400**	5,000
Other creditors	**22,726**	18,648	**21,471**	19,120
Amounts due to subsidiary undertakings	**–**	–	**127,088**	130,850
	842,743	1,171,246	**965,886**	1,157,589

The fair values of assets and liabilities, held at fair value through the profit and loss, are determined using quoted market prices in place at each balance sheet date.

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) Income, expense, gains and losses in respect of financial instruments

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group	
	2018 €000	2017 €000
Interest income and expense		
Total interest expense for financial liabilities at amortised cost	**29,525**	40,101
Total interest income for financial assets at amortised cost	**2,662**	3,176
Fair value gains and (losses)		
On financial assets measured at fair value through profit or loss	**1,019**	(75)
On financial liabilities measured at fair value through profit or loss	**(744)**	–

27. Commitments and related matters

(i) Capital commitments

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Contracted	**186,749**	94,403	**186,749**	94,403
Authorised by the Directors but not contracted for	**244,005**	45,789	**225,579**	38,892
	430,754	140,192	**412,328**	133,295

(ii) International concession agreements

Certain international retail activities of the Group are subject to arrangements that include guaranteed minimum concession fees.

Guaranteed minimum concession fees payable over the life of concession agreements that are in place as at 31 December 2018 were made up as follows:

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Payable on concession agreements within:				
One year	**56,964**	55,466	**–**	–
Two to five years	**337,164**	329,740	**–**	–
Greater than five years	**534,361**	549,622	**–**	–
	928,489	934,828	**–**	–

At 31 December 2018, €18.7 million (2017: €17.7 million) of these commitments had been secured by performance bonds issued by banks and guaranteed by the Group.

The total minimum concession fees payable as at 31 December 2018 include those arising under a concession agreement entered into by a subsidiary undertaking of the Group (ARIME), in 2015 to operate a retail concession at the Midfield Terminal Building at Abu Dhabi International Airport for a period of 10 years from a future commencement date. The Group's share, as at 31 December 2018, of (a) committed investment costs to establish the retail outlets are indicated in Note 27 (i) and (b) expected commitments in respect of guaranteed minimum concession fees are included in Note 27 (ii).

Subsequent to the year end, this concession agreement has been novated to a joint venture undertaking of the Group, established between ARIME and local partners in the region, and the associated concession rights and obligations have transferred to that entity, including all commitments in respect of guaranteed minimum concession fees. Consequent on this, while ARIME retains an investment commitment equivalent to that included in Note 27 (i), it no longer retains the minimum fee commitments included in Note 27 (ii) above but will, as a party to this joint venture, provide certain guarantees and security to a capped level (also referred to in Note 27 (iv).

(iii) Lessee operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Buildings				
One year	**1,404**	1,934	**164**	151
Two to five years	**3,587**	5,039	**604**	604
Greater than five years	**2,128**	2,609	**1,121**	1,272
	7,119	9,582	**1,889**	2,027
Land				
One year	**33**	33	**33**	33
Two to five years	**51**	56	**51**	56
Greater than five years	**–**	9	**–**	9
	84	98	**84**	98
Plant and equipment				
One year	**70**	104	**–**	–
Two to five years	**113**	135	**–**	–
Greater than five years	**3**	–	**–**	–
	186	239	**–**	–

Group lease payments expensed at 31 December 2018 amounted to €2.7 million (2017: €2.0 million). Company lease payments expensed at 31 December 2018 amounted to €0.4 million (2017: €0.4 million).

(iv) Other commitments, guarantees and contingencies

In the normal course of business, the Group has entered into commitments for the future supply of gas and electricity at its airports. At 31 December 2018, the purchase commitments amounted to €2.8 million (2017: €2.7 million).

In the ordinary course of business, certain subsidiary undertakings have provided guarantees to financial institutions in respect of guarantees issued by them on the Group's behalf to customs, taxation and related authorities as security in relation to their ongoing commercial obligations to an aggregate extent of €8.5 million (2017: €8.1 million). At 31 December 2018 and 2017, any outstanding amounts in relation to the underlying obligations were included in the Group's balance sheet.

In the normal course of business, certain subsidiary undertakings have provided guarantees, security or indemnities in respect of certain obligations and liabilities related to particular associated and joint venture undertakings to a partial or capped level. As at 31 December 2018 no liabilities or other obligations have arisen pursuant to these obligations.

One of the Group's subsidiary undertakings has entered into a Subscription Agreement with the intention, subject to certain conditions precedent being met, of subscribing and receiving shares representing 70% of the total shareholding in an entity operating travel retail outlets in the amount of €4.6 million.

28. Lessor operating leases

Total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2018 €000	2017 €000	**2018 €000**	2017 €000
Buildings				
One year	**15,173**	17,323	**15,173**	17,323
Two to five years	**25,791**	29,999	**25,791**	29,999
Greater than five years	**13,486**	15,086	**13,486**	15,086
	54,450	62,408	**54,450**	62,408
Land				
One year	**235**	226	**235**	226
Two to five years	**440**	542	**440**	542
Greater than five years	**561**	664	**561**	664
	1,236	1,432	**1,236**	1,432
Plant and equipment				
One year	**846**	769	**846**	769
Two to five years	**892**	1,452	**892**	1,452
	1,738	2,221	**1,738**	2,221

29. Related party disclosures

The related parties of the Group, as defined by FRS 102, Section 33 ‘Related Party Disclosures’, the nature of the relationship and the extent of transactions with them (excluding subsidiary undertakings), are summarised below.

	2018 €000	2017 €000
Associated undertakings		
Management charges to associated undertakings	**6,448**	6,103
Dividends received from associated undertakings	**18,921**	26,480
Due from associated undertakings at year-end	**5,640**	1,408

Details of the Group’s principal associated undertakings are set out in Note 13.

Mr Pádraig Ó Ríordáin, the Chairman of the Group until his term expired on 18 January 2018, is also a partner in Arthur Cox, a law firm which provides legal services to the Group. Fees in respect of professional services provided to the Group in the normal course of business by Arthur Cox in Ireland during the year ended 31 December 2018 were €1.2 million (2017: €1.4 million). The amount unbilled or billed and not yet paid by the Group at year-end was €0.5 million (2017: €0.7 million).

The Group deals in the normal course of business with Government and state bodies and other entities that are under ownership, control or significant influence from the Government. Such dealings are with a wide range of entities that include central government, local authorities, commercial and non-commercial semi-state companies and financial institutions.

Terms and conditions of transactions with related parties

Outstanding balances with entities are unsecured, interest free and cash settlement is expected within 30 days of invoice. The Group has not provided or benefited from any guarantees for any related party receivables or payables. There were no amounts provided for or written off in the period in respect of debts due to or from related parties.

Key management compensation

The Board of Directors and members of the Executive team who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of the individuals for 2018 was €4.2 million (2017: €4.0 million).

30. Non-controlling interest

	2018 €000	2017 €000
At beginning of financial year	**16,971**	16,864
Share of profit for the financial year	**2,010**	5,662
Exchange differences	**664**	(1,605)
Dividend to non-controlling interest[1]	**(1,261)**	(1,203)
Dividend disclosed but not yet paid to non-controlling interest[1]	**–**	(1,214)
Purchase of non-controlling interest	**–**	(1,533)
At end of financial year	**18,384**	16,971

1 Amounts above represent dividend payments and declared dividends by ARIME and CTC to its non-controlling interests.

31. Litigation

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

32. Events after the end of the reporting period

Other than the recommendation of a dividend for the current financial year as noted in the Directors report, there are no significant post balance sheet events which require adjustment to the financial statements or inclusion of a note thereto.

33. Accounting policies

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings ('subsidiaries') up to 31 December 2018.

The results of subsidiaries are consolidated and included in the consolidated profit and loss account from their date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefits from its activities.

Adjustments are made where necessary to subsidiary accounting policies when preparing the Group financial statements.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Joint venture undertakings

Joint venture undertakings ('joint ventures') are those undertakings over which the Group exercises control jointly with one or more parties.

The Group accounts for investments in joint ventures using the equity method. Investments in joint ventures are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the joint venture. If the Group's share of losses of a joint venture equals or exceeds the carrying amount of its investment in the joint venture, the Group discontinues recognising its share of further losses. The Group recognises additional losses as a provision if it has a legal or constructive obligation to do so. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of the losses not recognised.

The results of 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.

33. Accounting policies continued

Associated undertakings

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 accounts for investments in associates using the equity method. Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the associate. If the Group's share of losses of an associate equals or exceeds the carrying amount of its investment in the associate, the Group discontinues recognising its share of further losses. The Group recognises additional losses as a provision if it has a legal or constructive obligation to do so. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of the losses not recognised.

Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out below. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

The results of associates 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.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are shown in the Company balance sheet as investments and are valued at cost less allowance for impairment in value. Listed investments and financial instruments that are classified as financial assets are measured at fair value through the profit or loss.

Financial income

Dividends receivable are recognised when the right to receive payment has been established.

Turnover

Sale of goods comprises goods supplied to both external customers and to certain of the Group's associated undertakings. Turnover from the sale of goods is recognised when the customer takes delivery of the goods.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Turnover represents the fair value of goods and services, net of discounts, delivered to external customers and to certain of the Group's associated undertakings net of unrealised profit/losses in the accounting period excluding value added tax.

Aeronautical revenue comprises passenger charges which are recognised on their departure, runway movement charges (recognised on landing and take-off) levied according to aircraft's maximum take-off weight, aircraft parking charges based on a combination of time parked and area of use, and other charges which are recognised when services are rendered. The Commission for Aviation Regulation (CAR) regulates the level of revenues that the Company may collect in airport charges levied on users of Dublin Airport. CAR achieves this by setting a maximum level of airport charges per passenger that can be collected at Dublin Airport.

Rendering of services include property letting, which is recognised on a straight-line basis over the term of the rental period and usage charges for the operational systems (e.g. check-in desks), which are recognised as each service is provided. Car park revenue of which the majority is pre-booked, is recognised on a straight-line basis.

Concession fee revenue, in general, is a percentage of turnover which may be subject to certain minimum contracted amounts. The minimum contracted amounts are recognised on a straight-line basis over the period to which they relate and the excess which is a percentage of turnover is recognised at the time the excess is reached and can be reliably measured.

Management fees and other direct income from overseas associated undertakings are recognised as turnover when collection is reasonably assured.

Foreign currency

(i) Functional and presentational currency

The individual financial statements of each company are presented in the currency of the primary economic environment in which it operates (its functional currency).

For the purposes of consolidated financial statements, the results and financial position of each company are expressed in Euro, which is the functional currency of the parent company and the presentational currency for the consolidated financial statements.

(ii) Transactions and balances

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

Where applicable the Group's net investment in overseas subsidiaries and associate undertakings 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 accumulated in equity and are reported in other comprehensive income.

Leases

Operating leases

(i) As lessor

Leases where the Group retains substantially all the risks and benefits of ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognised over the lease term on the same basis as income.

(ii) As lessee

Expenditure on operating leases is charged to the profit and loss account on a straight-line basis over the lease period except where there are rental increases linked to expected general inflation, in which case these increases are recognised when incurred.

Borrowing costs

Borrowing costs which are directly attributable to major capital projects are capitalised as part of the cost of the assets. The commencement of capitalisation begins when both the finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Tangible fixed assets and depreciation

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

Terminal building, pier and satellite structures	20 – 50 years
Terminal fixtures and fittings	4 – 30 years
Airport plant and equipment	5 – 30 years
Runway surfaces	10 – 15 years
Runway bases	50 years
Taxiways and aprons	25 – 40 years
Motor vehicles	5 – 15 years
Office equipment	3 – 10 years
Computer equipment	3 – 7 years

Assets in the course of construction are transferred to completed assets when substantially all the activities necessary to get the asset ready for use are complete. Depreciation is not applied to assets in the course of construction. The cost of land and buildings and construction work in progress includes an apportionment of staff costs directly associated with the acquisition and development of the assets.

Assets which are constructed by a lessor are recognised as a completed asset when substantially all the activities necessary to get the asset ready for use are completed. In return for the transfer of title of the asset, the lessor receives abated rent for the period of the contract. The asset is initially recognised at the present value of the future cashflows which is the deemed cost.

33. Accounting policies continued

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.

The carrying values of items of property, plant and equipment are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

The Group estimates the recoverable amount of its tangible fixed assets based on the higher of their fair value less costs to sell or their value in use, consisting of the present values of future cash flows expected to result from their use. For the purposes of this review, Dublin and Cork airports combined are considered to form one cash-generating unit based on the statutory mandate to operate critical national infrastructure, the interdependence of the airports' cash flows and the functional organisational structure by which the airports are managed. Where the carrying value exceeds the estimated recoverable amount (being the greater of fair value less costs to sell and value-in-use), an impairment loss is recognised by writing down the assets to their recoverable amount.

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Assets that are currently held for an undetermined future use are also regarded as held for capital appreciation. Investment property is stated at fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the profit and loss account for the period in which they arise. Investment properties are not depreciated. Valuations were carried out having regard to comparable market evidence relevant to each specific property or class of properties. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence.

Investment properties in the course of construction are transferred to completed investment property when substantially all the activities necessary to get the asset ready for use are complete. During the construction phase, property under construction is stated at cost less any accumulated impairment losses. On completion the investment property is stated at fair value.

Intangible assets and goodwill

Goodwill arising on the acquisition of a business (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.

Where control of a subsidiary undertaking is obtained in stages, in accordance with FRS 102, using the true and fair override, goodwill is calculated as the sum of the goodwill arising on each purchase of shares, being the difference at the date of each purchase between the fair value of the consideration given and the fair value of the identifiable assets and liabilities attributable to the interest purchased. This represents a departure from Irish company law, under which goodwill is calculated as the difference between the total acquisition costs of the interests held and the fair value of the identifiable assets and liabilities on the date that the entity becomes a subsidiary undertaking. This treatment under company law would be misleading in certain circumstances as it would have the effect that the Group's share of profits or losses and reserve movements of its associates becomes reclassified as goodwill. The Group has complied with the applicable legislation, except for this departure in relation to purchased goodwill in order to achieve a fair presentation.

Where there is an increase in interest in an undertaking that is already a subsidiary undertaking, the assets and liabilities are not revalued to fair value and no additional goodwill is recognised at the date the controlling interest is increased.

Goodwill is being amortised over the period of the concession agreements 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.

In the year in which a business combination is effected and where some or all of the goodwill allocated to a particular cash-generating unit arose in respect of that combination, the cash-generating unit is assessed for impairment prior to the end of the relevant annual period.

Other intangible assets, comprising software and concession rights are recorded at acquisition cost, being fair value at the 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 fourteen years or being the duration of the software licenses which currently range from three to seven years.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on invoice price on either an average basis or on a first-in first-out basis depending on the stock category. An allowance is made on an annual basis in respect of potential stock obsolescence. It is based on an aged analysis of stock.

Maintenance stock relates solely to stock which will be expensed when consumed. It comprises spare parts which are used for maintenance purposes and office supplies.

Taxation

Current tax, including Irish corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unutilised tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment is measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

The tax expense or income is presented in the same component of comprehensive income or equity as the transaction to which it relates.

Payments for corporation tax group relief to companies within the daa Group that are in excess of the value of the tax value surrendered are treated as a capital contribution.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

33. Accounting policies continued

Provisions

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

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist if the Group has a contract under which unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Retirement benefit obligations

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

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

For the schemes accounted for as defined benefit schemes:

- The difference between the market value of the schemes' assets and actuarially assessed present value of the schemes' liabilities, calculated using the projected unit credit method, is disclosed as an asset/liability on the balance sheet.
- Deferred tax on the pension is recognised (to the extent that it is recoverable) and disclosed as part of provisions for liabilities.
- 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 net interest cost on the net defined benefit liability is included within finance costs in the profit and loss account.
- Remeasurement comprising actuarial gains and losses, due to changes in the actuarial assumptions or because actual experience during the year was different to that assumed, and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised in other comprehensive income.
- Tax in relation to service costs, net interest costs, past service costs or gains and losses on curtailments and settlements is recorded in the profit and loss account. Tax on remeasurements is recorded in other comprehensive income.

Unfunded retirement benefit liabilities are accounted for as defined benefit arrangements.

Other post-employment benefits are recognised where there is a legal or constructive obligation and are measured at the present value of the benefit obligation at the reporting date.

Termination benefits are recognised when the Group has a present obligation (legal or constructive) to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy or early retirement. Termination benefits are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the termination benefits are due more than 12 months after the balance sheet date.

Capital grants

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

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

Debt instruments which meet the basic financial instruments conditions, such as the Group's bank loans and loan notes, which have fixed or determinable payments, are subsequently measured at amortised cost using the effective interest method. Debt instruments that are classified as payable or receivable within one year and which meet the basic financial instruments conditions, such as intercompany loans carried in the Company's balance sheet and which are repayable on demand, are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

At the end of each reporting period financial assets measured at amortised cost, such as unlisted investment in loan stock and loan receivables which are repayable on demand, are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss.

Financial assets and liabilities are only offset in the balance sheet when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Derivative financial instruments
The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the profit or loss immediately.

(iii) Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Group estimates the fair value by using a valuation technique.

(iv) Interest income and expense recognition
Interest income and expense is recognised in the profit and loss account for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment or receipts through the expected life of the financial instrument, or when appropriate, a shorter period to the carrying amount of the financial asset or liability.

Cash and cash equivalents
Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Within the Group cash flow statement, cash is defined as cash and deposits repayable on demand.

33. Accounting policies continued

Exceptional items

Exceptional items are material items of income and expense that, because of the unusual nature and expected infrequency of the events giving rise to them, merit separate presentation to allow an understanding of the Group's financial performance. Such events may include gains or losses on disposal of assets or fair value movements on investment property, costs of a fundamental reorganisation or restructuring.

34. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 33, the Directors are required to make judgements, estimates and assumptions about the carrying amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for income and expenses during the period that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The nature of estimation means that actual outcomes could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty and critical accounting judgements include, but are not limited to, the following:

Impairment assessment

Airport assets are reviewed for potential impairment by applying a series of external and internal indicators specific to the assets under consideration. Dublin and Cork airports are considered to be a single income generating cash unit for the purpose of impairment assessments based on the statutory mandate to operate airport infrastructure, the interdependence of the airports' cash flows and the functional organisational structure of the daa Group. The level of headroom is a direct function of the judgements and assumptions underpinning the strategic plan and is ultimately dependent on the discount rate, the terminal growth rate and passenger combined annual growth rate. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the cash generating unit. The main assumptions that affect the estimation of the value in use are continuation of the current regulatory regime, the existence and rate of passenger growth and the discount rate. The cash flows are taken from the Group's long term financial projections and rolling five-year business and financial plan and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

Where there are indicators of impairment of financial or intangible assets including goodwill and concession rights, the Group performs impairment tests based on the value in use. The value in use is determined by calculating the net present value of estimated future cash flows arising from that income generating unit, discounted at an appropriate discount factor. The cash flows are derived from the financial projections plan.

Revaluation of investment property

The Group engaged independent valuation specialists to determine fair value at 31 December 2018 and 31 December 2017. The valuations were prepared in consideration of FRS 102 and in accordance with the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. The Group has significant property assets which are employed in a wide variety of activities throughout the airports such as car parking, car hire, hangars and office space. Judgement was required to determine in the context of the operations of airports, which properties, if any, should be classified as investment properties under Section 16 Investment Property. Where property assets are held to deliver essential services required at the airport such as car hire, parking and hangar facilities, these were not deemed to be held as investment properties. Other properties which are considered to be an investment property are properties or land held to earn rentals or for capital appreciation such as hotel sites and office buildings which are not used in the core operation of the airports.

All valuations are professional opinions on a stated basis, coupled with any appropriate or special assumptions. A valuation is not a fact, it is an estimate. The degree of subjectivity involved will inevitably vary from case to case, as will the degree of certainty, or probability, that the valuer's opinion of market value would exactly coincide with the price achieved were there an actual sale at the valuation date.

Subjective judgements were made by the valuers during their valuation approach in arriving at the valuation and whilst they consider these to be both logical and appropriate they are not necessarily the same as would be made by every purchaser.

Provision for liabilities

A provision is recognised when the Group has a present obligation (either legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group carries provisions for reported and potential claims under its self-insurance programme and for other liabilities, including legal claims. These provisions are made based on historical or other relevant information, adjusted for recent trends where appropriate. However, provisions represent estimates of the financial costs of events that may not occur for some years. The basis for these estimates are reviewed and updated at least annually and where information becomes available that may give rise to a material change.

Useful economic lives of tangible assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. Determination of appropriate useful economic lives is a key judgement and the useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 10 for the carrying amount of the property plant and equipment, and Note 33 for the useful economic lives for each class of assets.

Intangible assets and goodwill

The Group establishes a reliable estimate of the useful life of intangible assets and goodwill arising on business combinations. The estimate is based on a five-year period or where longer, over the period of the concession agreement entered into in the acquired entity.

Five-year summary of financial results

	2018 €000	2017 €000	2016 €000	2015 €000	2014 €000
Operating results					
Turnover	**896,901**	854,582	793,107	679,758	564,076
EBITDA (pre-exceptional)	**289,005**	270,901	247,476	206,042	180,862
Depreciation, amortisation and impairment	**(124,368)**	(113,024)	(108,299)	(105,146)	(100,307)
Fair value adjustment on investment property	**5,655**	6,804	4,115	19,661	16,004
Group operating profit (pre-exceptional)	**170,292**	164,681	143,292	120,557	96,559
Share of profits of associates and joint ventures	**17,299**	29,543	29,505	28,938	20,935
Finance income/expenses	**(26,186)**	(36,419)	(41,192)	(52,537)	(50,793)
Group exceptional items	**2,811**	–	(37,088)	8,195	(25,702)
Profit before taxation	**164,216**	157,805	94,517	105,153	40,999
Taxation	**(22,662)**	(21,827)	(9,876)	(16,770)	(5,462)
Minority interest	**(2,010)**	(5,662)	(5,258)	(4,971)	(4,212)
Profit for the financial year	**139,544**	130,316	79,383	83,412	31,325
Profit excluding exceptional items (after taxation)	**132,628**	125,114	107,512	61,481	41,895
Capital employed					
Tangible assets and investment property	**1,856,038**	1,840,432	1,758,316	1,744,383	1,704,807
Intangible fixed assets	**51,750**	55,948	61,245	66,099	72,854
Investments	**128,024**	129,473	129,986	121,421	113,115
Net current assets	**247,864**	187,741	499,104	351,441	427,673
Total assets less current liabilities	**2,283,676**	2,213,594	2,448,651	2,283,344	2,318,449
Creditors due after more than one year	**(770,310)**	(817,510)	(1,155,439)	(1,063,780)	(1,101,930)
Capital grants	**(8,016)**	(8,705)	(10,156)	(9,898)	(10,655)
Provisions for liabilities	**(106,956)**	(94,102)	(82,643)	(74,836)	(159,290)
Net assets	**1,398,394**	1,293,277	1,200,413	1,134,830	1,046,574

	2018 €000	2017 €000	2016 €000	2015 €000	2014 €000
Summary cash flow					
Cash flow from operating activities	**286,696**	255,723	245,483	210,823	178,783
Dividends from associated undertakings (net)	**18,921**	26,481	22,808	24,098	22,343
	305,617	282,204	268,291	234,921	201,126
Net interest paid	**(25,887)**	(35,063)	(41,424)	(51,558)	(49,622)
Taxation paid	**(3,421)**	(3,807)	(3,559)	(2,018)	(2,784)
	276,309	243,334	223,308	181,345	148,720
Investment in tangible fixed assets, investment properties and software	**(134,686)**	(171,194)	(118,273)	(111,563)	(65,402)
Payments in respect of exceptional restructuring and other provisions	**(3,603)**	(4,535)	(3,835)	(81,111)	(11,935)
Investment in/loans to associated and joint venture undertakings and financial assets	**(630)**	–	–	–	(3,125)
Acquisition of subsidiary undertakings net of cash acquired	**–**	(4,759)	–	–	(45,023)
Net proceeds from disposal of subsidiary/associated undertakings/joint ventures	**1,238**	–	–	–	–
Sale of tangible and financial assets	**32**	51	7	236	37
Grants received	**–**	28	983	–	11
Repayment of financial asset	**302**	442	–	–	–
	(137,347)	(179,967)	(121,118)	(192,438)	(125,437)
	138,962	63,367	102,190	(11,093)	23,283
Dividends paid to shareholder	**(37,400)**	(29,100)	(18,300)	–	–
Dividends paid to minority undertakings of subsidiaries	**(1,261)**	(2,570)	(1,355)	(3,950)	(4,798)
Cash inflow/(outflow) before management of liquid resources and financing	**100,301**	31,697	82,535	(15,043)	18,485
Net debt	**440,773**	540,619	571,501	616,240	600,314

Five-year summary of passenger statistics

Passengers	2018	2017	2016	2015	2014
Overall					
Transatlantic	**3,819,410**	3,302,033	2,734,502	2,396,684	2,122,081
United Kingdom	**11,391,320**	11,293,751	11,219,615	10,108,080	8,956,245
Continental Europe	**17,332,628**	16,151,160	15,144,817	13,631,772	12,054,857
Other International	**991,293**	841,776	767,534	797,932	643,038
Domestic	**115,302**	98,892	97,049	84,008	74,596
Transit	**238,472**	203,203	174,431	102,053	5,626
	33,888,425	31,890,815	30,137,948	27,120,529	23,856,443
Percentage change year-on-year	**+6.3%**	+5.8%	+11.1%	+13.7%	+6.4%
Dublin					
Transatlantic	**3,790,970**	3,285,618	2,733,975	2,396,416	2,121,880
United Kingdom	**10,081,376**	9,987,687	9,930,904	8,906,766	7,789,004
Continental Europe	**16,282,380**	15,170,341	14,208,822	12,768,193	11,082,613
Other International	**991,285**	841,769	767,324	797,932	643,036
Domestic	**111,850**	94,276	93,731	80,079	70,795
Transit	**237,743**	202,617	172,628	99,933	4,639
	31,495,604	29,582,308	27,907,384	25,049,319	21,711,967
Percentage change year-on-year	**+6.5%**	+6.0%	+11.4%	+15.4%	+7.7%
Cork					
Transatlantic	**28,440**	16,415	527	268	201
United Kingdom	**1,309,944**	1,306,064	1,288,711	1,201,314	1,167,241
Continental Europe	**1,050,248**	980,819	935,995	863,579	972,244
Other International	**8**	7	210	–	2
Domestic	**3,452**	4,616	3,318	3,929	3,801
Transit	**729**	586	1,803	2,120	987
	2,392,821	2,308,507	2,230,564	2,071,210	2,144,476
Percentage change year-on-year	**+3.7%**	+3.5%	+7.7%	-3.4%	-5.0%

Five-year summary of aircraft movements

	2018	2017	2016	2015	2014
Overall					
Commercial					
– Scheduled	**236,431**	224,862	217,513	199,064	184,353
– Non scheduled	**5,988**	6,436	6,090	5,910	4,808
– Cargo	**4,389**	4,404	4,055	4,413	4,743
Commercial air transport movements	**246,808**	235,702	227,658	209,387	193,904
Percentage change year-on-year	**+4.7%**	+3.5%	+8.7%	+8.0%	+5.3%
Others	**29,160**	30,630	38,332	30,857	27,504
Total aircraft movements	**275,968**	266,332	265,990	240,244	221,408
Dublin					
Commercial					
– Scheduled	**216,199**	205,372	197,925	181,735	165,794
– Non scheduled	**5,587**	6,052	5,537	5,394	4,156
– Cargo	**4,388**	4,404	4,055	4,105	3,968
Commercial air transport movements	**226,174**	215,828	207,517	191,234	173,918
Percentage change year-on-year	**+4.8%**	+4.0%	+8.5%	+10.0%	+6.2%
Others	**7,011**	7,369	7,561	6,636	6,416
Total aircraft movements	**233,185**	223,197	215,078	197,870	180,334
Cork					
Commercial					
– Scheduled	**20,232**	19,490	19,588	17,329	18,559
– Non scheduled	**401**	384	553	516	652
– Cargo	**1**	–	–	308	775
Commercial air transport movements	**20,634**	19,874	20,141	18,153	19,986
Percentage change year-on-year	**+3.8%**	-1.3%	+10.9%	-9.2%	-2.5%
Others	**22,149**	23,261	30,771	24,221	21,088
Total aircraft movements	**42,783**	43,135	50,912	42,374	41,074

Aeronautical information

Dublin Airport

Location	Lat. 532517N, Long. 0061612W (midpoint runway 10/28)
Elevation	242 ft. AMSL
Runway	**Runway 10/28:** Length 2,637 metres – width 45 metres plus 7.5 metre shoulders each side Surface asphalt Category III A (Runway 10)/Category III A (Runway 28) **Runway 16/34:** Length 2,072 metres – width 61 metres Surface Asphalt Category I (runway 16)/Non-precision (runway 34)
Refuelling	JET A1
Operational	24hrs
Postal address	Dublin Airport, Co. Dublin, Ireland
Fax number	(01) 814 1034 (09:00 – 17:00) (01) 814 5479 (24hrs)
Telephone number	National (01) 814 1111 International 353 1 814 1111
Web	www.dublinairport.com
Sita	DUBRN7X (Airport Administration) DUBYREI (Operations)

Cork Airport

Location	Lat. 515029N, Long. 0082928W
Elevation	502 ft. AMSL
Runway	**Runway 16/34**: Length 2,133 metres – width 45 metres plus 7.5 metre shoulders each side Surface asphalt Category II (Runway 16)/Category I (Runway 34) **Runway 07/25:** Length 1,310 metres – width 45 metres Surface concrete Non inst.
Refuelling	Full refuelling facilities available
Operational	24hrs
Postal address	Cork Airport, Co. Cork, Ireland
Fax number	(021) 431 3442
Telephone number	National (021) 431 3131 International 353 21 431 3131
Web	www.corkairport.com
Sita	ORKARXH

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BNP Paribas
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HSBC Bank plc
Ulster Bank Limited

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

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