We will rebuild our Group together, both at home and abroad

> "Our immediate strategy, coupled with the necessary restructuring we have undertaken, will enable us to create a new daa and rebuild our business, both at home and abroad."

Dalton Philips
Chief Executive

daa entered 2020 in a strong position.

We were making very substantial progress across the key elements of our strategy 'Creating Our Future,' which was the Group's roadmap to help us meet our key objectives during the 2018-2021 period. At a high level, our goal is to run world-class airports and travel retail facilities for our customers in the 16 countries in which we currently operate.

Our strategy centred on core elements such as taking our airports to the next level, building for the future by putting in place the correct infrastructure, increasing our focus on sustainability, and growing our Group both at home and overseas. We were also focused on developing great people and teams within our business who would be ready for tomorrow's challenges.

During the first two years of Creating Our Future we had moved forward across all of the core metrics. While a business of this scale and geographic spread always faces challenges, we had strong momentum as we started the year.

Passenger numbers were increasing in Dublin and Cork airports and at our overseas airport locations. Turnover was up at our international travel retail outlets, and the key economies in which we operate were growing.

However, when the Group's 2019 Annual Report was being finalised last Spring, I signalled that the COVID-19 pandemic was likely to have a significant impact on the business during 2020.

At that point, no one could have predicted the devastating consequences that COVID-19 would have across the globe.

The introductions of lockdowns and travel restrictions in all of the countries in which we operate has had an unprecedented impact on our business. The global aviation sector has been one of the hardest hit by the economic fallout of COVID-19, and these effects continue to be felt across our Group.

After a positive start to trading in January and February across most of the business, the countries in which we operate began to impose restrictions on their citizens and on the operation of their economies in an effort to slow the spread of the disease.

Through our global footprint we saw the impact of the pandemic spread quickly. Our airport retail operations in New Zealand and in Canada were the first parts of our business to feel the economic effect of the pandemic, as Chinese citizens reduced international travel.

As the disease spread, passenger traffic plummeted at our Irish airports and in all the countries in which we operate across the world. Our travel retail business, Aer Rianta International (ARI), closed its operations in all markets except for Qatar for a period during the year.

Global air traffic fell by 60% last year, bringing air travel totals back to 2003 levels, according to ICAO, the UN agency for civil aviation. European airports lost a total of 1.72 billion passengers in 2020 compared to the previous year, as overall European passenger traffic fell by just over 70%, according to ACI Europe. In Ireland, the reduction in passenger traffic was even greater.

Throughout the pandemic, the health and safety of our teams and our customers was paramount. We followed Government health advice in all markets and introduced new health and safety protocols to reflect the new operating environment and to protect our staff and all those who use our facilities.

Group turnover

€291m

-69%

Operating costs[1]

€260m

-42%

EBITDA[2]

-€33m

-111%

The COVID-19 crisis radically changed the way in which our people worked during the year. The majority of our people across the globe spent significant periods working from home during 2020 to comply with public health guidelines. Some faced very strict lockdowns that only permitted trips outside at designated times for essential food shopping.

Colleagues worked in hastily established home offices, at kitchen tables, in spare bedrooms, in the corners of living rooms and in converted attics and garden sheds. In Ireland, and in many other markets, at times they had to juggle the home schooling of their children with working from home. The lines between work life and home life sometimes became blurred.

For many of our people this fundamental reshaping of the manner in which they work has been one of the largest changes in their professional lives. It was a change that they did not seek, and it often occurred at very short notice.

Our teams on the frontline had new procedures and policies to protect them and our customers and their working environment was also radically altered. The nature of their interaction with the few passengers and shoppers who continued to use our services was transformed, and they had to deal with the impact of seeing their workplace almost devoid of customers on a prolonged basis for the first time in their careers.

In these circumstances, it was essential that we kept our teams informed as the situation evolved. We started a daily email update in March, and this continued until October, when we reduced this communication to five times per week. Regular CEO video messages also enabled us to keep our teams fully informed of the latest developments on at least a weekly basis.

Daily briefing calls were held for our Leadership Team, which comprises about 100 senior management personnel, while weekly calls took place for the wider People Leaders group, which is made up of more than 500 team members who have management and supervisory roles. In December, we held two virtual town hall style briefing events for all our teams.

It has been a tremendously difficult year for our people across the business and we are acutely aware of that. Our staff wellbeing programme Focus on You, which has been in place since 2018, had a specific focus on mental health during the year, highlighting on a regular basis the suite of supports and resources that are available to employees. October was designated as Mental Health Month with a series of webinars and an online Mental Health First Aid course.

The COVID-19 pandemic obviously created the greatest crisis that the Group has faced during more than 80 years in existence. At the peak of the crisis, the business was losing more than €1 million per day and we had to move very quickly.

Given the profound impact that Covid had on our business, we took a number of proactive steps during the year to strengthen the Group's liquidity. Due to these prudent measures, the Group has a strong liquidity position, which is further detailed in the Chief Financial Officer's (CFO) review on page 26.

We also had to take very significant steps to reduce our cost base. All capital and operational spending was reviewed, and significant cost reductions were achieved across the business.

At Dublin Airport, we reviewed our medium-term capital plans and reassessed the delivery timeframe for a number of major projects. Our overall planned capital spend for the year was reduced by more than 10%. In total, non-payroll costs across the Group declined by 47% compared to 2019.

We also had to take measures to reduce our payroll costs. In late March, the Group indicated that there would be no pay increases in 2020 and introduced a ban on all recruitment. We also cancelled payment of profit share, gainshare and performance-related pay for 2020.

1. Operating costs include payroll and related costs, materials and services and other income - government support.
2. Earnings before interest, tax, depreciation and amortisation (before exceptional items).

In early April, we decided that almost all of our people would be moved to a four-day week and would therefore be paid just 80% of their normal salary. This measure, which was in place for the remainder of 2020 and into this year, meant that our team members had an effective pay reduction of between 20% and 45%, depending on whether they qualified for performance-related pay.

This was a very difficult step to take, and we are acutely aware of the impact that it had on our people, but we had no choice but to follow this path as part of a wide range of measures that were undertaken to protect the Company.

Initially, many commentators argued that the pandemic would constitute a short, sharp shock to the global economy. However, it quickly became apparent, that the downturn would be more prolonged and that the global aviation and international tourism sectors would continue to be among the worst affected.

In that context, by early summer, it was clear that unfortunately the Group had too many people to meet expected passenger demand at our Irish airports and our international travel retail businesses in the medium term, and that significant steps needed to be taken to right-size the business for the future.

A staff options package was introduced, which offered a voluntary severance programme, career breaks and reduced working hours. By year-end, there were 800 fewer people employed in the Irish operation. At the time of writing, an additional 118 employees have left the business in Ireland. Similar restructuring programmes also took place across our international businesses, with approximately 1,000 people exiting the retail operations that we manage overseas.

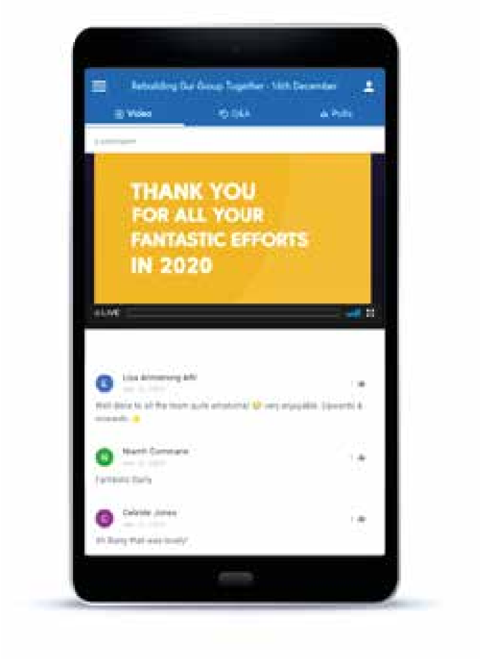
Many of our colleagues who have left as part of these right-sizing programmes had decades of service with the Group. We thank them for their service with the Group and wish them well in their future endeavours.

During the year, major changes in the way we operate the business in Ireland were negotiated with trade union and staff representatives and more than 93% of employees who voted in a series of ballots on these new work practice proposals agreed to accept the changes in question. The amendments to team structures, rosters, roles and responsibilities and the way in which our people operate are essential to enable the business to help manage the future recovery in passenger growth as efficiently as possible. The implementation of these changes is challenging at times, but it is essential to safeguard and protect long-term sustainable employment at our Irish operations.

We availed of the Irish Government’s Temporary Wage Subsidy Scheme, which operated from March until the end of August, and continue to avail of the Employment Wage Subsidy Scheme which replaced it, along with rates waivers from local authorities in Dublin and Cork. Our businesses overseas also participated in COVID-related government support schemes in markets in which they were available.

Pieces of COVID-related signage at Dublin Airport

12,000



Hand sanitisers at Dublin Airport

>1,000

Despite having almost no passengers in the second quarter of the year, and hugely reduced traffic in the second half of the year, our Irish airports remained open throughout 2020 as an essential service in line with Irish Government guidelines.

Passenger traffic at Dublin and Cork airports declined by 78% to 7.9 million in 2020, as almost 28 million fewer passengers used our Irish airports last year. This quantum of business decline was mirrored in the airports that we operate or have a stake in overseas.

Traffic at Düsseldorf Airport, in which we hold a 20% stake, fell by 74% to 6.6 million last year. In Cyprus, passenger numbers at Larnaca and Paphos airports, operated by Hermes Airports, where we are also a shareholder, fell by 80% to 2.3 million. Passenger numbers in Terminal 5 at King Khalid International Airport, which we operate through daa International, declined by 54% to 7.6 million.

Turnover decreased by 69% to €291 million last year as the economic impact of the COVID-19 pandemic affected every part of the Group's business. With a tight focus on cost reduction, our operating costs[1] fell by 42% to €260 million during the year. Non-pay costs declined by 47% to €110 million while payroll-related costs fell by 37% to €150 million.

An EBITDA[2] loss of €33 million before exceptional items was recorded during the year, compared to a €302 million EBITDA profit in 2019. The Group loss after tax including exceptional items was €284 million for the year. The exceptional items before taxation comprised a cost of €100 million relating to the Group's voluntary severance scheme and an €11 million fair value decrease in the value of investment property. Further details in relation to these exceptional items are set out on page 27 within the CFO's review.

We introduced a range of new enhanced safety measures at our Irish airports and our overseas operations to protect our customers and also our staff. Both Dublin and Cork airports were accredited by Airports Council International's Airport Health Accreditation programme during the year.

This independent validation of the new health and safety measures introduced as a result of COVID-19 confirmed that our operations were fully aligned with the recommendations of ICAO Council's Aviation Recovery Task Force, the joint European Union Aviation Safety Agency (EASA) and European Centre for Disease Prevention and Control (ECDC) Aviation Health Safety Protocol and ACI's own guidelines. The accreditation process examined areas such as cleaning and disinfection regimes, physical distancing, passenger communications and passenger facilities, staff protection, and the physical layout of the airports.

1. Operating costs include payroll and related costs, materials and services and other income - government support.
2. Earnings before interest tax depreciation and amortisation (before exceptional items).

From mid-March last year, the Irish Government advised against all non-essential overseas travel, and this advice remained in place for most of the year. There were similar guidelines/restrictions in place in many other countries.

In July, the Irish Government announced an initial travel Green List of 22 countries to which travel was permitted, however the number of countries on this list were reduced significantly in subsequent weeks, due to the changing health position across Europe. In early November, Ireland adopted the new EU traffic light system for travel, whereby travel guidelines would be based in part on the prevailing incidence of COVID-19 in the region from which a passenger was departing.

Last summer, we had advocated for the introduction of rapid pre-departure antigen testing for all passengers and for that to be incorporated into the passenger journey. This would have meant that all passengers would have tested Covid-free prior to travel. This position was supported by all of Europe's major airports and airlines, but it was not incorporated within the new EU traffic light system for travel that was introduced last year.

Instead, under the traffic light system, while the designation of each region was decided by an agreed set of criteria applied by the European Centre for Disease Prevention and Control (ECDC), each country was permitted to set its own rules and guidelines in relation to travel.

To enable pre-departure PCR testing at our airports, we facilitated the establishment of independent third party COVID-19 testing facilities at Dublin and Cork airports. These initially offered PCR and LAMP testing and their offer expanded to provide antigen testing when this became a requirement for travel to several other countries.

The all-pervasive impact of the COVID-19 pandemic meant that Creating Our Future, the Group's strategy for 2018-2021, was effectively no longer fit for purpose. We therefore devised a new Road to Recovery plan which took account of the new realities that were facing the Group. It focused on the twin elements of protecting our business in the short-term while creating the conditions whereby we can rebuild our Group as quickly and efficiently as possible. There is more detailed information in relation to our Road to Recovery plan and our immediate Rebuilding our Group Together strategy on pages 32-35.

One of our keys goals is to grow our business back in a sustainable manner. We are mindful of our vital strategic role in helping to restore Ireland's connectivity and the need to do so while delivering on our suite of sustainability targets.

We achieved a significant milestone in December when Dublin Airport became carbon neutral under the international Airport Carbon Accreditation programme, which independently assesses and recognises the efforts of airports to manage and reduce their carbon emissions.

In order to achieve its Level 3+ carbon neutrality status, Dublin Airport had to reduce CO_2 emissions from the sources under its control as much as possible and also to compensate for the remaining residual emissions through the purchase of internationally recognised high-quality carbon offsets. The carbon neutral designation was based on 2019 data, which reflected a normal year of passenger operations at the airport.

We have stringent targets to continue to reduce our energy use and increase our use of onsite renewable energy sources at our airports by 2030 as part of our commitment for Dublin and Cork airports to become net zero for carbon emissions by 2050 at the latest. There is more information on our sustainability initiatives on pages 47-54.

The emergence of new strains of COVID-19 in late 2020, coupled with significant spikes in case numbers throughout most of Europe, has resulted in additional travel restrictions being introduced in Ireland and in a large number of other countries in the early part of this year.

Plexiglass protection screens

>700

Passenger numbers at our Irish airports have declined by 92% in the first quarter of this year compared to 2020. The national vaccination programmes currently underway in Ireland and in many of our other key markets bring hope for a major upturn in air travel. But at this point, there is little clarity in relation to the timing of a widespread resumption of travel, either to and from Ireland, or in the rest of our key international markets.

While passenger traffic levels have fallen very significantly at our Irish airports and a number of airlines suspended their operations entirely, we have continued to stay close to our customers. We intend to work collaboratively with airlines and other stakeholders to facilitate the return of these vital air routes to Dublin and Cork airports when we are able to do so.

We had to take some very hard decisions during the year, but our focus was on doing what was right for the long-term health of our businesses and we worked in partnership with our teams, both at home and internationally.

Our cost base has been transformed and structures have been simplified to make our operations more effective and more efficient. Our cost base was reduced by almost 60% between April and December last year. Our liquidity has been strengthened and we have availed of government supports – for which we are grateful – in all countries where they were available.

The past 12 months has provided further evidence of the fact that we operate within a wider aviation and travel ecosystem. Working closely with our partners in the sector at a national, European and international level, our collective goal should be the creation of a harmonised set of rules and protocols in relation to international travel.

As vaccination levels increase, and public health concerns lessen in key markets, there should be agreed pathways to reopening air travel at scale and a clear roadmap for reducing current travel restrictions. A common system of vaccine passport recognition and health documentation validation systems is desirable, as consumers can understandably become confused by a patchwork of different regulations.

While it is very difficult to forecast the speed and the nature of the recovery in the global aviation sector, it is certain that a recovery will come. Throughout 2020 and post year-end, we have been managing the Group to withstand the impact of the pandemic and to ensure that our businesses are perfectly positioned to maximise the return to widespread international travel.

Our new strategy, coupled with the necessary restructuring we have undertaken, will enable us to create a new daa and rebuild our business, both at home and abroad.

Dublin Airport is Ireland's major international gateway

Dublin Airport

Passenger numbers at Dublin Airport declined by 78% to just under 7.4 million due to the impact of the coronavirus pandemic.

In line with Irish Government guidelines, Dublin Airport remained opened as an essential service throughout the year.

Dublin Airport lost 25.5 million passengers last year, which was equivalent to 27 years of growth as annual throughput declined to 1994 levels. Such a huge loss in traffic can be hard to visualise. But to put that number in context, it is equivalent to the population of Australia.

More than half of all the passengers who travelled through Dublin Airport in 2020 did so during the months of January and February. We had a positive start to the year, with traffic up by 2% during the first two months. The impact of the pandemic began to be felt in March when the Irish Government began to advise citizens against non-essential travel overseas and Ireland entered lockdown for the first time. Passenger numbers fell by more than 55% in March and by April, traffic had fallen by 99%.

During the 2019 summer season, Dublin Airport had flights to more than 190 destinations in 42 countries operated by almost 50 airlines. By April 2020, which should have been the start of the summer season for the year under review, Dublin Airport had flights to just 22 destinations in 11 countries operated by seven airlines. Connectivity that had been hard won over many years had been decimated in a matter of weeks.

The number of passengers who took flights to and from continental Europe declined by 77% to 4 million last year. Passenger numbers on flights between Dublin Airport and Britain declined by 76% to 2.4 million, while transatlantic passenger numbers, including transits, fell by 84% to just over 690,000. Passenger numbers on flights to and from other international destinations, which includes flights to the Middle East, declined by 76% to almost 237,000. The number of people who took domestic flights declined by 68% last year to just under 34,000.

More than 400,000 passengers used Dublin as a hub during 2020, meaning that just under 7 million passengers either began or ended their journey at Dublin Airport last year.

The vital role that Dublin Airport plays in Ireland's global supply chain was clear during the year as it was the main hub for the import of essential PPE and medical equipment. Almost all of the critical PPE that was imported to help the Irish health system cope with the impact of COVID-19 passed through Dublin Airport on 365 dedicated cargo flights, which were facilitated by the continued operation of the airport. Ireland is home to large medical devices and pharmaceutical sectors and Dublin Airport was also a key hub for the export of essential products during the year.

Overall cargo volumes at Dublin Airport declined by 18% during the year, as the reduction in scheduled passenger services led to a 52% fall in bellyhold cargo. However, the volume of goods carried on dedicated cargo services doubled during the year, as airlines expanded their cargo operations to address the decline in scheduled flights. Dublin Airport continues to facilitate regular PPE cargo flights, and is now also beginning to handle regular shipments of COVID-19 vaccines.

Airport charges at Dublin Airport are set independently by the Commission for Aviation Regulation (CAR). In light of the devastating impact of COVID-19 on traffic levels at the airport, CAR held an Interim Review of its 2019 Determination, which set prices between 2020 and 2024, during the year.

The review was specifically in relation to 2020 and 2021 and CAR published its decision in late December. It removed all triggers and adjustments that related to the price caps for the two years in question and set the price cap at €7.50 per passenger for 2021. For 2020, CAR replaced the per passenger cap with a series of individual caps that reflected Dublin Airport's published menu of airport charges for the year.

CAR has said that a further review of the 2019 Determination will be required. All of the economic and traffic assumptions that the 2019 Determination were based on are now redundant. Passenger traffic collapsed in 2020 and at the time of writing, it is, as yet, impossible to make an accurate forecast for this year.

However, it is evident that the impact of the COVID-19 pandemic will be felt for several years and this will present challenges for Dublin Airport and other players in the aviation sector in the medium term.

As we have indicated previously, the nature of the current regulatory system is not conducive to the requirements of a cyclical industry in which the airport operator needs to take a prudent long-term view in relation to the management and the development of one of Ireland's key strategic assets.

The Irish aviation industry has been decimated by the pandemic and all players need to work together to rebuild Dublin Airport's connectivity in the medium term. CAR can have a role to play in this recovery. Investment decisions that may appear counter cyclical can often represent the most effective and efficient use of resources and are therefore in the best interests of all airport users.

"Irish aviation has been decimated by the pandemic and all players need to work together to rebuild Dublin Airport's connectivity."

Construction works continued on the North Runway project during the year.

Chief Executive's review continued

Construction works continued on the North Runway project during the year, and very significant progress was made onsite, notwithstanding an interruption to the programme due to COVID-19 restrictions.

In March, planning approval was received to amend the physical layout of certain elements of the North Runway to comply with new international regulations governing runway construction. The new layout replaces a runway design which was granted planning permission in 2007 and was based on the prevailing standards at that time. Construction of the runway will be largely completed in the second quarter of this year. Following a rigorous period of testing and commissioning, the new runway is expected to become operational in 2022.

In December, we lodged a planning application with Fingal County Council (FCC) to amend the two onerous planning conditions that are due to apply to the operation of the new runway and the overall runway system at Dublin Airport when North Runway begins operations.

The current conditions would limit the use of the airfield between 11pm and 7am and also place an overall limit of 65 aircraft movements across the entire airport campus during that period. We have signalled for many years that these two conditions were hugely problematic for the operation of the airport and had originally wanted to have them removed. However, following engagement with local communities we revised our position. We are now seeking an amendment of the conditions and proposing significant noise-related mitigation measures.

Our application proposes introducing a noise quota system between 11.30pm and 6am. Noise quotas are the industry standard approach for managing night-time noise at large airports. We are also proposing that the new runway would only be used between 6am and midnight, meaning that there would be no flights on North Runway during the core midnight to 6am night-time hours.

Under these proposals the overall effects of night-time noise at Dublin Airport are less than envisaged under the planning permission granted in 2007, and do not exceed those in 2018.

Our proposal balances the requirements of the Irish economy with the concerns of the local community. It will provide Dublin Airport with the operational flexibility that is essential to help restore the air connectivity that has been lost due to COVID-19 and enable the Irish economy to recover from the economic impact of the pandemic. The proposal also ensures that the effects of night-time noise that were envisaged by the original 2007 planning conditions are not exceeded.

Under legislation which came into effect in 2019, FCC is now the Aircraft Noise Competent Authority (ANCA) for the purposes of noise regulation at Dublin Airport. ANCA has now started its assessment of the noise situation at Dublin Airport following the submission of our planning application in December.

ANCA will apply the ICAO Balanced Approach to aircraft noise management in its deliberations. As part of this application, it will consider three elements before contemplating operating restrictions - reduction of noise at source, land-use planning and management, and noise abatement operational procedures. Only after these three elements have been exhausted, should the fourth element of the Balanced Approach – operating restrictions – be considered.

A major upgrade to the airport's hold baggage screening systems continued during the year. These works are an essential regulatory requirement to comply with new European standards. The project is particularly complex in Terminal 1, as elements of its existing baggage handling system are at the end of their natural life and cannot be restructured to accommodate the new screening machines. The works have necessitated the temporary closure of certain check-in areas in Terminal 1; however, this did not have a significant impact on operations due to very low passenger volumes during the year.

Significant progress was made on both the North Runway project and our new hold baggage screening systems during the year, almost all of our capital expenditure was spent on these two key projects making the most of reduced traffic and movement through our airport.

When possible, we also progressed key airfield and terminal projects during the year and in some cases, these works took advantage of the significant downturn in traffic. The airport's main runway, Runway 10/28 was re-designated during the year to take account of the new North Runway. Runway 10/28 is now 28L and 10R while the North Runway will be designated 28R and 10L. We also completed the rehabilitation of Runway 16/34 and a series of other airfield related projects.

A new expanded immigration hall serving arriving passengers from Pier 1 and Pier 2 was completed in the summer, providing an enhanced environment and additional dwell space if required. We also delivered a new seating area in the main departures lounge in Terminal 2 and continued works to upgrade certain passenger facilities in Terminal 1.

Passengers at Dublin Airport

7.4m

-78% versus 2019

Cork Airport

Cork Airport entered 2020 as Ireland's fastest growing airport. It had enjoyed five consecutive years of growth, which had seen passenger numbers increase by 25% from 2.1 million passengers in 2015 to almost 2.6 million in 2019.

The airport made a strong start to the year as passenger numbers increased by 6% in the first two months of 2020. But the pandemic had a catastrophic impact on Cork Airport's business in the remainder of the year. Passenger numbers declined by 80% to just 530,000 during 2020, 317,000 of whom had travelled in January and February.

Traffic declined across all markets served by Cork Airport. The number of passengers travelling on flights to Britain fell by 78% to 305,000. London traffic was down 76%, while passenger numbers travelling on routes to and from other British destinations declined by 81%.

Pre-Covid, Cork had more than 50 routes with nine scheduled airlines, flying to destinations in the United Kingdom and Continental Europe. Currently, Cork Airport's only routes are a service to Heathrow with Aer Lingus and a service to Amsterdam with KLM, both of which operate thrice weekly.

Cork Airport has remained open throughout COVID-19 as an essential service providing key infrastructure for vital air services. It continues to play a key role in search and rescue missions, Air Corps and Garda operations, and medical evacuations and transplant flights.

In recognition of the particular difficulties facing Cork and Shannon airports because of the pandemic, the Irish Government has established a funding programme for State-owned regional airports in 2021. It is making €32.1 million available under this programme in 2021, which is open to Cork and Shannon airports. A total of €16.5 million has been allocated to the capital spending schemes, while €15.6 million is being allocated to support operational activities at the airports.

First Irish airport to achieve ACI Airport Health Accreditation

See more on page 21

Cork Airport entered 2020 as Ireland's fastest growing airport

Passengers at Cork Airport

530k

-80% versus 2019

At the time of writing, Cork Airport has secured capital and operational support of €18.7 million from the Government for this year.

During the year, we began the procurement process for the reconstruction of Cork Airport's main runway, which will be part funded by the State. This will be the first time that the State has invested directly in operations at either Cork or Dublin airports in several decades, and the support from the Exchequer is appreciated.

The runway reconstruction will be the largest single investment at the airport since the opening of the new passenger terminal in 2006. Enabling works will begin in June and the main works will take place from mid-September until mid-November. It is anticipated that these main works will be on a 24-hour basis. The overall project will comprise a full reconstruction of runway 16/34, an upgrade to the aeronautical ground lighting (AGL) system, and other related works. The AGL system will use LED lights, which typically reduce energy consumption by more than 60%.

Good progress was made on the upgrade of Cork Airport's hold baggage screening system during 2020 and this project will be completed later this year. Our prudent investments in the main runway and the baggage screening system will help position Cork Airport to capitalise on the expected upturn in the aviation market in the medium term.

"The reconstruction of Cork Airport's main runway will begin in 2021."

Case Study **Safety Programme**

Global recognition for Dublin and Cork Airports' COVID-19 safety measures

Dublin and Cork airports received a global endorsement for the measures that they have introduced to protect the safety of passengers and staff during the COVID-19 pandemic.

Cork Airport was the first Irish airport to achieve ACI Airport Health Accreditation and now both airports' efforts have been formally recognised by Airports Council International (ACI) World and ACI EUROPE and Dublin and Cork airports are now a member of ACI's Airport Health Accreditation programme.

The airport health accreditation programme provides airports with an independent assessment of the new health measures and procedures that have been introduced as a result of the COVID-19 pandemic. It also measures an airport's compliance with new industry standards in relation to health and safety.

Cork Airport

Commentating on Cork Airport being certified under the Airport Health Accreditation programme, Niall MacCarthy, Managing Director said: "The fact that Cork Airport is the first airport in Ireland and one of the first in world to be a holder of this international certificate proves that it is always our top priority to ensure the health and safety of our passengers and employees. The awarding of the Airport Health Accreditation certificate is also proof that our measures at Cork Airport are at the top of all international standards. I should stress that we never ever compromise on the health and safety of our passengers and employees at Cork Airport. This certification will become increasingly important as the Government moves to reopen international travel and the industry and Government collaborate on restoring passenger confidence in travel."

Cork Airport has invested significantly in a wide range of public health measures including the fitting of plexiglass screens throughout the terminal, multiple sanitisation stations and units, hundreds of signage and social distancing graphics throughout, various face mask vending machines, five Anti-Viral Fogging Units, high technology queue management software with automated alerts where space capacities exceeded, state of the art (COVID-19 specifically tailored) cleaning regime to ensure the terminal is sparkling clean and hygienic.

Dublin Airport

Dublin Airport Managing Director Vincent Harrison said the ACI accreditation was "a significant validation" of the work that the airport has undertaken in the area of health and safety in recent months.

"The safety of our passengers, our employees and the staff of all the other companies that operate on the campus is always Dublin Airport's main priority," Mr Harrison added. "We introduced our safety measures based on a comprehensive series of risk assessments and the new international guidelines, and it is very pleasing that the efforts of the entire Dublin Airport team have been recognised in this manner."

Dublin Airport has introduced a wide range of new measures to protect the wellbeing and safety of all passengers and staff in light of the COVID-19 pandemic.

It has installed more than 1,000 hand sanitisers throughout the airport, and more than 700 plexiglass screens are in place at close contact points throughout the airport. About 12,000 separate pieces of COVID-19 related signage are in place to assist and inform passengers, and there are also regular announcements on the airport's public address system to remind passengers of social distancing guidelines.

Dublin Airport's cleaning processes have also been enhanced to reflect COVID-19. All key contact surfaces such as security trays, self-service kiosks, escalator handrails, and trolleys are now undergoing enhanced cleaning, with a specific focus on any areas where passengers dwell.

Modern electrostatic disinfection techniques are being used in many key areas. This electrostatic cleaning uses a special spray which is electrically charged and this enables the sanitisers and disinfectants in the spray to wrap around and evenly coat all types of surfaces for a much more complete and longer lasting clean.

ARI well placed to take full advantage of the upturn when it comes

Aer Rianta International (ARI)

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

In addition to operating outlets in Dublin and Cork airports, ARI also has a broad span of retail activities internationally, with direct or indirect interests in 14 countries across North America, Europe, the Middle East, and Asia-Pacific and a minority shareholding in Düsseldorf Airport in Germany, and in Larnaca and Paphos airports in Cyprus.

Group turnover for 2020 was severely impacted by COVID-19 in all locations with significant disruption due to travel restrictions and border closures.

With such a major fall in turnover, the key focus of the year was implementing cost control measures across all areas and stringent cash flow management. An essential element of this has been the renegotiation of commercial terms with airports. Significant and material progress has been made in obtaining relief and also term extensions on certain key contracts. The core international retail losses and cash flow challenges would have been significantly worse had it not been for the speed and decisiveness of actions that have been taken to date. These actions included restructuring programmes which resulted in approximately 1,000 employees leaving the business across the ARI estate. At this point in time, it is impossible to predict how long travel restrictions will be in place across the globe and the nature of the manner in which the aviation industry and travel retail will bounce back.

Group loss on ordinary activities after taxation was €66.5 million, compared to a profit of €13 million in 2019. The impact on our investment in Düsseldorf Airport, where we hold a 20% stake, was significant, accounting for losses of €26 million during the year, but all other locations were also impacted by the pandemic. Passenger numbers at Düsseldorf Airport declined by 74% to 6.6 million. As part of an extensive refinancing of the airport, a €20 million subordinated loan facility was provided, some €12 million of which had been drawn by the end of 2020.

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, decreased by about 75% in 2020. This was marginally better than the overall decline in passenger numbers.

ARI's joint venture operations at Delhi International Airport, where ARI holds a 33.1% stake, started the year very well and benefited from the opening of the refurbished departure duty free store. However, the material decline in international traffic since March has had a severe impact on operations. Management have successfully managed cash resources and are well-placed to react speedily to a recovery in passenger volumes.

ARI Middle East (ARIME), which has business interests in Bahrain, Lebanon, Qatar, Oman, Saudi Arabia, and Cyprus, had a difficult year in all markets in 2020, with the exception of Qatar, which traded in line with 2019.

In addition to dealing with the COVID-19 pandemic, the situation in Lebanon was particularly challenging with civil unrest, currency weakness and a catastrophic explosion in Beirut port. However, the combination of the immediate application of cost reduction measures, coupled with relief negotiated with airports and also the leveraging of new e-commerce platforms has helped all locations perform better than the underlying drop in passenger volumes.

The new airport in Bahrain formally opened post year-end on January 28, 2021 and we look forward to continuing our long-term relationship there. The contract in Oman was extended for a further four years on commercial terms that will underpin a viable business during these uncertain times.

Trading in Qatar and Saudi Arabia held up particularly well, driven by domestic factors in both locations. Our investment in our Saudi Arabian entity completed during the year. Negotiations on an extension to ARIME's contract in Qatar progressed satisfactorily during the year, with a multi-year extension agreed.

The much-anticipated Midfield Terminal at Abu Dhabi's International Airport is now scheduled to open in 2022. ARIME will operate a number of stores in the new terminal, including perfume and cosmetics, sunglasses and jewellery outlets.

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 and beverage operation at both airports. ARI's retail operations in Cyprus had a challenging year due to the fall in passenger numbers. Overall passenger numbers at the two airports decreased by almost 80% to 2.3 million which also impacted the airports' operator Hermes Airports, in which ARIME has an 11% stake.

However, despite the impact of COVID-19 restrictions, the refurbishment and upgrading of the retail space in Larnaca was fully completed on time and on budget in August 2020. Management there is confident that the business will recover quickly, underpinned by an increase in the array of global brands coupled with an extensive assortment of local Cypriot products.

The performance of ARI's retail operations in Canada and Auckland were significantly impacted by border closures and the fall in international long-haul traffic, particularly on Chinese routes, which typically have higher spending passengers.

In Montréal, building on our collaborative relationship with the airport and our award-winning offer there, the contract was extended for a further seven years to 2030. Our new e-commerce platform, The Loop was successfully launched in English and French in Montréal in the second half of the year.

In Auckland, we continued to work with the airport to develop a domestic duty paid offering and collaborated on their e-commerce platform, while preparing for a reopening of the borders. ARI remains hopeful that the key Trans-Tasman corridor between New Zealand and Australia will reopen in late April.

During the year, ARI was awarded a five-year duty free retail concession at Tivat and Podgorica airports in Montenegro. Implementation work in Montenegro is complete, but the opening of the stores has been impacted by COVID-19.

In 2020, ARI won several significant prestigious international awards for its retail offering including:

- Montréal: North America Airport Retailer of the Year
- Montréal: North America Travel Retailer of the Year
- Dublin: Best Tactical Advertising Campaign
- Dublin: Best Integrated Marketing Campaign
- Dublin: Speciality Concept of the Year
- Delhi: Best Use of Social Media

Across all of our markets, ARI management is now focused on ensuring that our retail offer is aligned with consumer expectations in the post-COVID-19 era.

Significant work is ongoing to redefine the customer proposition and while we have a clear plan in place for the next 18 months, our retail business must be prepared to adapt and be agile in an environment that is likely to remain uncertain for the foreseeable future.

Difficult decisions were made in 2020 to ensure the long-term viability of the business. New organisation structures are now in place and teams are smaller. But we are confident that these changes – coupled with the talented and dedicated teams we have across all locations – mean that ARI is well placed to take full advantage of the upturn in international travel when it comes. We have a strong estate of world-class outlets, with great teams and excellent relationships with our suppliers, our partners and our airports.

"Significant work is ongoing to redefine the customer proposition and while we have a clear plan in place for the next 18 months, our retail business must be prepared to adapt and be agile in an environment that is likely to remain uncertain for the foreseeable future."

daa International expands its range of activities

daa International

daa International leverages the expertise of the wider daa Group to offer advisory, management and consultancy services to its clients around the world.

The business had a positive start to 2020 that saw the expansion of daa International's operations to new locations in Saudi Arabia, a continuation of its ongoing work in the Philippines, and completion of a first project in Australia.

However, closure of much of the world's aviation business for several months due to the COVID-19 pandemic had a significant impact on daa International's operations, with a reduction in the services provided to aviation clients and the accompanying fall in revenue streams.

In addition, many of daa International's staff on international assignment endured some of the strictest local lockdowns and travel bans for much of the year.

The second half of 2020 saw an upturn in activity, particularly growth in the range of services provided to King Khalid International Airport (KKIA) and the Riyadh Airport Company (RAC) in Saudi Arabia. By year-end, daa International had re-grown the services it provides to KKIA by 40%, with a full-time team of 10 individuals working with RAC.

Additionally, as the operator of Terminal 5, the domestic terminal at KKIA, daa International has seen a quicker return to normal passenger numbers than many markets, with figures approaching 60% of pre-COVID-19 levels by year-end.

daa International continues to manage the ongoing operation of Terminal 5 in addition to providing speciality services to the Riyadh Airport Company in areas such as Aviation Business Development, Talent Development, Car Parks, Commercial Concessions, Asset Management, Business Continuity and Operational Readiness and Airport Transition (ORAT) Services.

daa International's advisory services contract with Dammam Airport and the Dammam Airports Company (DACO) in Saudi Arabia, continued during the lockdown period in the country and was completed successfully during the year. daa International is hopeful of developing further partnerships with DACO in the future.

At year-end, daa International won a contract with the Red Sea Development Company to become the airport operator for the Red Sea Airport project. Our role in the project will begin with providing consultancy services during the initial construction phase.

The Red Sea Development Company awarded the contract to daa International to deliver a next generation airport experience that will marry innovative design solutions and cutting-edge technology to create a unique travel experience.

The airport has been designed to comply with the highest environmental building practices and arrivals will be limited to one million passengers per year to protect the pristine environment of the Red Sea destination, which includes an archipelago of 90 islands and the world's fourth-largest barrier reef.

Passenger numbers at King Khalid International Airport, Riyadh, Saudi Arabia

11m

-57% versus 2019

The Red Sea Airport will receive its first passengers in late 2022, when the resort will have in the region of 3,000 hotel rooms available. Upon completion in 2030, visitor numbers will be capped at about 8,000 occupied rooms per night.

The Red Sea Development is a flagship project for the Saudi Government and represents an unprecedented opportunity for daa International to cement its position as a leading international aviation services provider within Saudi Arabia. The project further represents a long-term airport operations and management contract and will support daa International as it seeks to capitalise on this success and develop major projects in other areas of the world.

Other project work in South East Asia and Australia has faced significant challenges during the year due to the economic downturn in the aviation sector caused by the pandemic. However, daa International continues to support its clients, as the sector prepares for a return to more normal services in some locations in 2021.

In Australia, daa International is very well positioned to support a number of key airport development projects within the country. daa's experiences over the past decade, delivering a large scale new terminal operation and constructing an additional runway in Dublin, has developed internal capabilities and expertise which can be leveraged to support the development of similar infrastructure projects in the Australian states of New South Wales and Victoria.

daa International has also positioned itself within the international airport concession market, forming strategic relationships with key market players to explore emerging opportunities, particularly in the Middle East, the Caribbean and South East Asian markets.

Thanks

Our Group Chief Financial Officer Ray Gray is leaving daa later this year, after 22 years in the role. I would like to thank Ray for his huge contribution to the Group during that period and to wish him well for the future. I would also like to congratulate his successor Catherine Gubbins, who will take over as Group CFO in May.

It has been a very challenging year for the Group and for all of our employees. We had to act swiftly and take some very difficult decisions to protect the business. I would like to thank all of my colleagues in daa for their perseverance, resilience, and hard work during the year.

Our teams across the business dealt with adversity on a daily basis through much of 2020 and their efforts are hugely appreciated. We look forward to better days ahead for our Group.

Dalton Philips
Chief Executive Officer
13 April 2021

"The Red Sea Development is an unprecedented opportunity for daa International to cement its position as a leading international aviation services provider with Saudi Arabia."

Passengers in Terminal 5, King Khalid International Airport, Riyadh, Saudi Arabia

7.6m

-54% versus 2019