

Public Accounts Committee

Thursday 9th October 2014

OPENING STATEMENT BY NEIL PAKEY, CEO, SHANNON GROUP PLC

INTRODUCTION

Chairman and Deputies, thank you for the opportunity to address you today. We have been invited before you to discuss the 2013 Annual Accounts for Shannon Free Airport Development Company or, Shannon Development as it was known until recently.

BACKGROUND

By way of background I would like to give you context to the changes that have occurred with the company since the Government decision, in December 2012, to separate Shannon Airport from Dublin Airport Authority, DAA, and bring it together with a restructured Shannon Development.

TRANSITION PROGRAMME

Much of last year was spent devising and implementing a major change management programme at Shannon Development to ensure a smooth transition. This involved employees transferring, with their functions, to Fáilte Ireland, Enterprise Ireland and IDA Ireland, or redeploying to Government agencies and the civil service, while other employees chose to exit under a Voluntary Early Retirement/Voluntary Redundancy scheme. Employees engaged in property activities for Shannon Development become part of Shannon Group plc and are now based at Shannon Airport.

THE ESTABLISHMENT OF SHANNON GROUP

Shannon Development has been renamed Shannon Commercial Enterprises Limited, trading as Shannon Commercial Properties, and is engaged in commercial property management and development. Shannon Commercial Enterprises Limited is now a wholly owned subsidiary of Shannon Group plc. Shannon Heritage, previously a subsidiary of Shannon Development, remains a subsidiary of Shannon Commercial Enterprises.

Following the enactment of the State Airports (Shannon Group) Act, Shannon Group plc was incorporated on 29th August 2014. On 5th September 2014, following the transfer of shares under the Act, the Company became a subsidiary of Shannon Group plc.

Shannon Group plc is a commercial semi-state company comprising four strategic business units. These are; Shannon Airport, Shannon Heritage, Shannon Commercial Properties and the International Aviation Services Centre (IASC).

To give you some background on myself and my management team. In terms of relevant experience, I was employed by Manchester Airport for 14 years during which time we established our property business, which has now grown in scope to 1.4 million sq. ft. of logistics and warehousing, 1.5 million sq. ft. of offices and 650,000 sq. ft. of manufacturing space. Over that period of time we also developed a sustainable business through further airport investment and acquisitions.

I have also been employed by UK Airport and Property Company, Peel Holdings during which time we invested £80 million into Liverpool Airport, and grew traffic levels from 700,000 passengers to 5.5 million per annum, while at the same time developing property assets across the region.

I was appointed CEO of Shannon Airport on the 10th of June 2013 and subsequently CEO of Shannon Development on the 1st of September 2013. On the 5th of September 2014, I became CEO of the newly established Shannon Group plc.

During 2014, in preparation for the establishment of Shannon Group plc, I began the process of assembling our Executive Management team. David McGarry was appointed CFO of Shannon Airport on the 1st of February 2014 and subsequently CFO of Shannon Group plc on the 5th of September 2014. Ray O'Driscoll was appointed Managing Director of the Property Division of Shannon Group plc on the 23rd of April 2014.

SHANNON COMMERCIAL PROPERTIES TODAY

Today, Shannon Commercial Properties continues to own and manage over 400 buildings and 2,000 acres of land in over 50 locations in the Shannon region. The property portfolio ranges from prime office buildings and multi-let technology parks to engineering, manufacturing, warehousing and logistics facilities. In addition, Shannon Commercial Properties has a portfolio of fully serviced sites available for sale and development.

The largest business park in the portfolio is known as the Shannon free Zone (SFZ). It is the largest multi-sector business park in the Atlantic Corridor. This 600 acre business park contains over 100 companies. The Shannon Free Zone was initially established in the 1960s and grew significantly during the following decades. It was focused primarily on manufacturing and assembly activities during that period. Many of the buildings were constructed prior to 1990 and significant investment is now required to bring the Zone to the standards required in the Ireland of today.

In addition to the Shannon Free Zone, Shannon Commercial Properties owns and manages technology parks in Limerick, Tralee, Co Kerry, Ennis, Co Clare and Thurles, Co. Tipperary. The Company also owns numerous other facilities across Clare, Kerry, Limerick, Offaly and Tipperary. In the current depressed property market, the valuation of many of these properties is significantly less than their initial acquisition and construction cost. Many of these properties were developed when the Company had a regional development remit and were constructed in locations to enable enterprises create employment locally.

One of my key goals for Shannon Commercial Properties is the redevelopment of its commercial property portfolio in the region around Shannon Airport and other key strategic locations. We now have our new team in place and are currently finalising a development strategy for our portfolio. As part of this, we have begun upgrading some existing buildings at Shannon Free Zone and we are also evaluating redevelopment opportunities for the Zone.

OVERVIEW OF SHANNON DEVELOPMENT 2013 ANNUAL ACCOUNTS

In 2013, the Shannon Development accounts recorded an overall deficit of €1.569 million, this includes costs related to tourism and enterprise activities which no longer form part of the business of Shannon Commercial Properties.

The Company recorded a €4 million profit on the sale of assets during the year. This was generated on the sales of 11 properties, the largest being the sale of land and buildings at the University of Limerick and the sale of a warehouse building in the National Technology Park, Limerick. €6 million in capital expenditure was invested in property and tourism assets, with the largest investment being spent on the revamping of King John's Castle.

At the end of 2013, the Company was debt free with a cash balance of €12 million, increasing from €7 million at the end of 2012.

CONCLUSION

Chairman and Committee members,

Just to bring you fully up to date with recent developments. The full Shannon Group team has now been assembled and they have a collective determination to seek out and maximise the potential of all business opportunities and drive growth and profitability in all areas of the Group's activities, including Shannon Commercial Properties.

The Group is firmly focused on fulfilling its objective of securing a sustainable future for the all of its operations and being a catalyst for economic growth for the West of Ireland. We are developing a five year business plan for the Group which is due to go before the Minister for Transport, Tourism and Sport for his approval.

We are happy to discuss the 2013 Shannon Development Accounts.

Thank You