daa plc
Financial Review and Extract from Regulated Entity Accounts

Year Ended 31 December 2019

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Statement of directors' responsibilities for the Financial Review and Extract from Regulated Entity Accounts

The Commission for Aviation Regulation ("CAR") is the statutory body established to regulate, inter alia, certain aspects of the aviation sector in Ireland. Pursuant to the Aviation Regulation Act of 2001 ("the Act"), CAR is required to make determinations ("Regulatory Determinations") governing the maximum levels of airport charges that can be levied at Dublin Airport by daa plc ("the Company" or "daa") as the airport authority.

CAR has requested that daa prepare accounts ("Regulated Entity Accounts") showing its regulated activities, including a profit and loss account, separate from its other activities, made up to a year-end date of 31 December, the corresponding date to which the statutory accounts of the Company are made up. At the discretion of CAR, extracts from these Regulated Entity Accounts may be published. The directors of daa are responsible for preparing both the full Regulated Entity Accounts and these extracts from the Regulated Entity Accounts.

These accounts represent an extract from the Regulated Entity Accounts of accounting policies, profit and loss account and associated notes as they pertain to Dublin Airport and are consistent with the full Regulated Entity Accounts which have been provided to CAR. The full Regulated Entity Accounts are based on the statutory financial statements for the year ending 31 December 2019 of the relevant legal entities comprising the Regulated Entity as set out under the Basis of Preparation on page 7. They have been prepared solely to present fairly the Regulated Entity assets, liabilities and financial position for the year end. They have been prepared in accordance with the Statement of Accounting Policies on pages 7 to 15 to present fairly the assets, liabilities and financial position of the Regulated Entity as set out in accordance with the Basis of Preparation as described on page 7.

In preparing the statutory financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the entity will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of that company, from which the Regulated Entity Accounts are based, and to enable them to ensure that the statutory accounts of those entities making up the Regulated Entity Accounts comply with the Companies Act 2014. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of those entities and to prevent and detect fraud and other irregularities.

The directors are responsible for establishing and maintaining the system of internal control throughout the parent Company including controls to enable the Company to comply with Regulatory Determinations as these affect maximum airport charges. The system of internal control comprises the ongoing processes for identifying and evaluating and managing significant risks faced by daa Group in pursuing its business objectives. Such a system is designed to manage rather than eliminate the risk of failure and therefore can only provide reasonable and not absolute assurance that daa Group will achieve those objectives or that daa Group would not suffer material misstatement or loss.

On behalf of the Board

Basil Geoghegan
Basil Geoghegan
Chairman

Risteard Sheridan
Director

19 June 2020

Financial review of the outturn performance of Dublin Airport compared to the CAR Determination Forecast

for the year ended 31 December 2019

The following financial review compares Dublin Airport results and attributable financials with CAR forecasts. All references to forecasts by CAR refer to the forecasts contained in the 2014 'Determinations on the Maximum Level of Airport Charges at Dublin Airport (7 October 2014)'.

CAR forecasts have been inflated in line with the percentage change in the Consumer Price Index between July 2014 and October 2018 which was 0.7%.

Financial Overview

Dublin Airport's profit after taxation before exceptional items and related tax is €134.3 million, (2018: €119.9 million). Exceptional items reduced profit after tax by €0.1 million (2018: increased by €3.2 million). Fair value losses of €0.1 million before tax have been recognised on investment properties (2018: gain of €1.0 million) and these are reported as exceptional items. In 2018, a gain of €2.8 million has been recognised on fixed assets and this is reported as an exceptional item.

Passengers and airport charges

Passengers in Dublin Airport for 2019 were 32.9 million (2018: 31.5 million), which is 8.1 million or 33% above the CAR passenger forecast for 2019 of 24.8 million (2018: 24.1million). The average charge per passenger for 2019 is €9.18 compared to the price cap set by CAR of €9.30. Airport charges revenue for 2019 amounted to €307.1 million (2018: €299.6 million). See Note 2 for further information.

Commercial revenue

Commercial gross margin (commercial revenue) in Dublin Airport for 2019 was €267.7 million (2018: €241.5 million), which was €103.3 million or 63% higher than the CAR commercial revenue forecast of €164.3 million (2018: €159.1 million).

Commercial revenue per passenger of €8.13 (2018: €7.67) was 23% higher than the CAR forecast of €6.63 (2018: €6.61).

Additional passenger volumes, higher yields, new commercial revenue streams and higher retail revenue per passenger have all contributed to the positive uplift in commercial revenue versus CAR's target.

Operating expenses

2019 operating expenses excluding depreciation, amortisation and exceptional items in Dublin Airport were €288.2 million (2018: €268.2 million), which was €86.2 million or 43% higher than the CAR cost forecast of €202.0 million (2018: €198.7* million).

Operating expenses per passenger of €8.76 (2018: €8.51) was 7% higher than the CAR forecast of €8.15 (2018: €8.25).

Dublin Airport's increase in operating costs versus CAR's target is primarily due to the significant increase in traffic volumes, an increase in payroll costs and increased costs in a number of areas such as maintenance, facilities, travel services and IT.

*Adjusted for €1.6 million historical pension deficit allowance

Financial review of the outturn performance of Dublin Airport compared to the CAR Determination Forecast (continued)

for the year ended 31 December 2019

EBITDA

Dublin Airport's Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA), excluding exceptional items was €276.0 million (2018: €272.9 million), up €97.2 million on the implied CAR forecast* of €178.8 million (2018: €178.0 million).

Capital expenditure

2019 is the fifth and final year of the 2015-2019 regulatory period. The CAR capital allowance for the five-year period is €341.0 million (excluding trigger projects and PACE). Capital expenditure on regulatory till activities in 2019 at Dublin Airport was €203.3 million (2018: €109.7 million), of which €128.5 million is relating to Capital Investment Programme ("CIP") 2015 – 2019 (including runway), €25.6 million for PACE, and €49.2 million of advanced spend on CIP 2020 – 2024.

Funds from operations: net debt

The funds from operations (FFO):net debt ratio for Dublin Airport was 42.5% (2018: 40.1%) based on an FFO for the year of €245.7 million (2018: €243.1 million) and adjusted net debt attributable to the regulated activities at the balance sheet date of €578.5 million (2018: €605.6 million).

Funds from operations (FFO) is calculated based upon Standard and Poor's methodology and is defined as EBITDA before costs of fundamental restructuring, less net interest and taxes paid, with operating lease costs and payments made in respect of post-retirement benefits added back. Adjusted net debt for these purposes comprises the closing net debt position including pension obligations and the capital value of operating lease commitments allocated.

FFO	**€000**
EBITDA	275,999
Interest paid	(14,670)
Tax paid	(16,791)
Operating lease payments	377
Post-retirement benefit payments	745
Funds from operations (FFO)	245,660
Adjusted net debt	
Closing net debt	574,627
Capital value of operating leases	663
Net pension liability	3,182
Adjusted net debt	578,472
FFO : net debt	42.5%

* Adjusted for €1.6 million historical pension deficit allowance

Financial review of the outturn performance of Dublin Airport compared to the CAR Determination Forecast (continued)

for the year ended 31 December 2019

Return on RAB

The return on the Dublin Airport Regulated Asset Base (RAB) for the year was 11.2% (2018: 11.1%). Earnings before interest and tax (EBIT), exceptional items and unrealised gains on investment properties were €168.0 million (2018: €167.2 million). The average RAB for the year based upon the CAR Determination Forecast adjusted for the till exit price in 2015 of €48.0 million for Dublin Airport Central (DAC) is €1,499.5 million (2018: €1,511 million).

Basil Geoghegan
Chairman

Risteard Sheridan
Director

19 June 2020

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

Independent auditors' report to the directors of daa plc on the Extract from the Regulated Entity Accounts

The accompanying Extract from the Regulated Entity Accounts, which comprise the summary profit and loss account of Dublin Airport for the financial year ended 31 December 2019 and the related notes 1 to 7, are derived from the audited Regulated Entity Accounts of daa plc ("the Company") for the financial year ended 31 December 2019 prepared by Company for submission to the Commission for Aviation Regulation ("CAR") as required by the Aviation Regulation Act of 2001. We expressed an unmodified opinion on those accounts in our report dated 22 June 2020.

The Regulated Entity Accounts are prepared to assist the daa plc to comply with their regulatory reporting requirements. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (including CAR), other than the Company and the Company's directors as a body, for this report, or for the opinions we have formed. Our report is intended solely for the daa plc and should not be distributed to or used by parties other than the daa plc or CAR.

The Extract from the Regulated Entity Accounts does not contain all the disclosures required by Accounting Standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland applied in the preparation of the audited financial statements of the Company. Reading the Extract from the Regulated Entity Accounts, is not a substitute for reading the audited Regulated Entity Accounts.

Directors' Responsibility for the Extract from the Regulated Entity Accounts

As described on page 1, the directors of the Company are responsible for the preparation of the Extract from the Regulated Entity Accounts in accordance with the criteria agreed by the Company with CAR.

Auditors' Responsibility

Our responsibility is to express an opinion on the Extract from the Regulated Entity Accounts based on our procedures, with due regard to International Standard on Auditing 810, "Engagements to Report on Summary Financial Statements".

Opinion on the Extract from the Regulated Entity Accounts

In our opinion, the Extract from the Regulated Entity Accounts, derived from the audited Regulated Entity Accounts for the Company for the financial year ended 31 December 2019, is consistent in all material respects, with those accounts in accordance with the criteria agreed by the Company with CAR.

Emer O'Shaughnessy
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Dublin

Date: 22 June 2020

daa plc

Financial Review and Extract From Regulated Entity Accounts

Summary profit and loss account – Dublin Airport

for the year ended 31 December 2019

	Note	2019 €000	2018 €000
Turnover	2	**622,660**	595,870
Operating costs			
Cost of sales		**(58,457)**	(54,782)
Payroll and related costs	3	**(173,991)**	(163,950)
Materials and services	4	**(114,215)**	(104,210)
Depreciation and amortisation	5	**(108,000)**	(105,698)
Exceptional item – fair value adjustment on investment properties	6	**(135)**	990
Exceptional item – fair value adjustment on fixed assets		**-**	2,811
		(454,798)	(424,839)
Operating profit – continuing operations		**167,862**	171,031
Profit before interest and taxation		**167,862**	171,031
Financial expense		**(15,750)**	(31,772)
Fair value adjustment on financial instruments		**(733)**	344
Profit on ordinary activities before taxation		**151,379**	139,603
Taxation charge on profit on ordinary activities		**(17,160)**	(16,522)
Profit for the financial year		**134,219**	123,081
Exceptional items (net of taxation)		**105**	(3,199)
Profit for the financial year excluding exceptional items		**134,324**	119,882

On behalf of the Board

Basil Geoghegan
Chairman

Risteard Sheridan
Director

19 June 2020

Notes on and forming part of the financial statements
for the year ended 31 December 2019

1 Accounting Policies

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

Basis of Preparation

daa plc is a company incorporated in Ireland under the Companies Act 2014. The nature of the Company's operations and its principal activities are airport operation and management and Irish airport retail management.

The directors consider that the obligation to meet the requirements of Section 28(1) of the Aviation Regulation Act 2001 is met by these Regulated Entity Accounts. The format and content of the Regulated Entity Accounts was determined following consultation with CAR per Commission Note 1/2011 issued on 16 November 2011.

For the purpose of preparing these accounts, the Regulated Entity Accounts includes the financial statements of daa plc (the Company) and four of its subsidiaries, ASC Airport Services Consolidated Limited, DAA Airport Services Limited, DAA Finance plc and DAA Operations Limited ("the Regulated Entity"). The financial activities of other subsidiary undertakings of daa plc are not consolidated for the purpose of these accounts due to insufficient nexus to the operating activities of Dublin Airport.

These Regulated Entity Accounts have been prepared by consolidating the audited single company accounts of the Company and the accounts of the four subsidiaries set out above for the year ended 31 December 2019 and are unadjusted for any events from the date those audited accounts were approved.

The Regulated Entity Accounts are derived from the financial statements of the companies noted above, which are prepared in accordance with generally accepted accounting principles 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, except in respect of certain presentation and disclosure requirements of those standards.

Profit and Loss Accounts

The results for Dublin Airport are shown separately from the results of those attributable to all Other Activities that have an insufficient nexus to the operating activities of Dublin Airport and hence do not form part of the regulatory or single till. Cork Airport is included in the Regulated Entity Accounts but is outside the regulatory till. International investments and other international activities (Aer Rianta International cpt) and joint ventures and associated undertakings fall outside the regulatory till and are not included in the Regulated Entity Accounts. Costs associated with operations without sufficient nexus to the regulated asset, such as the development of Dublin Airport Central have also been excluded from the results of Dublin Airport and included under Other Activities.

Notes (continued)

for the year ended 31 December 2019

1 Accounting Policies *(continued)*

The full till exit of lands associated with Dublin Airport Central (DAC) has been reflected in the regulated accounts from 1 January 2015 in accordance with Commission Paper 3/2014. This includes the transfer of all relevant revenues, operating costs and assets outside of the regulatory till. All costs (and where appropriate, revenues) of the Regulated Entity have been allocated to Dublin Airport and Other Activities as set out below:

- Shared and head office activities
  All costs (and where appropriate, revenues) of shared and head office activities are allocated between Dublin Airport and Other Activities. Where direct attribution is not possible the revenue and cost are apportioned between each airport on a basis that reflects the causality of the cost with allocations as appropriate. Cost causality implies that costs are attributed to businesses in accordance with the activities which cause the costs to be incurred.

- Exceptional items
  Fair value adjustments on investment property and fixed assets are allocated between Dublin Airport and Other Activities based on the location of assets. See Note 6 for further information.

- Interest
  Regulated Entity interest payable has been allocated to the airports on the basis of intra-group borrowings attributable to these airports and interest receivable has been allocated on the basis of deemed cash balances. Interest on borrowings and deposits attributable to subsidiary undertakings not forming part of the Regulated Entity or otherwise relating to activities or investments outside of the single or regulatory till have been excluded from the airport allocation. Such interest is included within Other Activities in the profit and loss account.

- Taxation
  The tax charge attributable to the airports, comprising corporation tax and deferred tax, has been allocated by pro-rating the current year tax charge/credit (excluding tax on exceptional items) by reference to the profit/loss before exceptional items and tax of the individual airports. Tax on exceptional items is specifically allocated to the business units where the exceptional item has been allocated.

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Turnover represents the fair value of goods and services, net of discounts, delivered to external customers in the accounting period excluding value added tax.

Sale of goods comprises goods supplied to external customers. Turnover from the sale of goods is recognised when the customer takes delivery of the goods.

Notes (continued)
for the year ended 31 December 2019

1 Accounting Policies *(continued)*

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. 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, and car park income, of which the majority is pre-booked is recognised on a straight-line basis.

For concession agreements, minimum contracted (fixed) amounts are recognised on a straight-line basis over the period to which they relate with any excess (variable) amounts recognised at the time at which the trigger has been reached and can be reliably measured.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are shown in the balance sheet as financial fixed assets and are valued at cost less allowance for impairment in value.

Financial Income

Income from financial assets is recognised on a receivable basis in the profit and loss account.

Foreign Currency

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

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.

Leases

Operating leases

(i) As lessor
Leases where the Company 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 lease asset and recognised over the lease term on the same basis as income.

Notes (continued)
for the year ended 31 December 2019

1 Accounting Policies *(continued)*

(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.

Capital Grants

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

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.

Intangible Assets

Intangible assets 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 comprise of computer software and are amortised over their economic lives, being the duration of the licenses which currently range from three to seven years.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at 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

Notes (continued)
for the year ended 31 December 2019

1 Accounting Policies *(continued)*

progress includes an apportionment of staff costs directly associated with the acquisition and development of the assets.

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 Company 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.

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.

Notes (continued)
for the year ended 31 December 2019

1 Accounting Policies *(continued)*

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 Company'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 Company 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 measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to the 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 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 Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes (continued)
for the year ended 31 December 2019

1 Accounting Policies *(continued)*

Provisions for liabilities

Provisions are recognised when the Company 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.

Retirement benefit obligations

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

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 if it is a deferred tax liability and part of debtors if it is a deferred tax asset.
- 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.
- Re-measurement 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 re-measurements is recorded in other comprehensive income.

The Company has certain unfunded retirement benefit liabilities which are accounted for as defined benefit arrangements.

Other post-employee 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.

Notes (continued)
for the year ended 31 December 2019

1 Accounting Policies *(continued)*

Termination benefits are recognised when the Company 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.

Financial Instruments

Financial assets and financial liabilities are recognised when the Company 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 Company 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 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 Company's bank loans 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 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 period financial assets measured at amortised cost, such as intercompany 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 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 profit and loss.

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

Notes (continued)
for the year ended 31 December 2019

1 Accounting Policies *(continued)*

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, 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 Company uses derivative financial instruments to reduce exposure to foreign exchange risk. The Company 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 re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in 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 Company estimates the fair value by using a valuation technique.

(iv) Interest income and expense recognition
The effective interest rate is the rate that exactly discounts estimated future cash payments 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 that are subject to an insignificant risk of changes in value. Within the cash flow statement, cash is defined as cash and deposits repayable on demand.

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 Company's financial performance. Such events may include gains or losses on disposal of assets, costs of a fundamental reorganisation or restructuring or fair value movements on investment property.

Notes (continued)
for the year ended 31 December 2019

2 Turnover

	2019	2018
	€000	€000
Airport charges*	**296,530**	299,626
Property and concessions**	**60,483**	58,202
Direct retailing and retail/catering concessions	**168,958**	153,435
Car parking	**53,733**	48,140
Advertising	**5,816**	4,821
Other activities	**37,140**	31,646
	622,660	595,870

* At the year-end the Company was engaged with CAR in relation to the calculation and finalisation of the 2019 price cap which determines the maximum level of airport charges allowed. At the date of approval of daa plc's (the Company) accounts, a decision had not been received from CAR in relation to this issue and the Company was required under the generally accepted accounting principles which underpin the statutory accounts to recognise a provision of €10.6 million. Subsequent to the approval of the daa plc accounts this issue was concluded. This provision therefore requires to be excluded from the airport charges levied figure which underpins the passenger charge calculation.

** includes ATI and baggage hall fees of €3.4 million (2018: €3.2 million) and €0.1 million (2018: €0.1 million) respectively.

Airport charges

Airport charges are charges levied in respect of the landing, parking or taking off of an aircraft including the supply of airbridges, charges levied in respect of the arrival at or departure from an airport by air of passengers, or charges levied in respect of the transportation by air of cargo to or from an airport.

	2019	2018
	€000	€000
Runway	**125,521**	128,246
Aircraft parking	**21,229**	21,637
Airbridge	**2,000**	2,033
Passenger charges	**190,017**	181,503
Traffic / route incentive schemes	**(36,500)**	(32,603)
Airport charges levied	**302,267**	300,816
Movement in provision in respect of incentive schemes	4,866	(1,190)
Provision for 2019 price cap finalisation	(10,603)	-
	296,530	299,626

Notes (continued)
for the year ended 31 December 2019

2 Turnover *(continued)*

Price cap outturn

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.

	2019 Dublin Airport	2018 Dublin Airport
Airport charges levied	**302,267,419**	300,816,309
Passenger numbers	**32,911,227**	31,495,604
Average airport charge per passenger	**€9.18**	€9.55
Per passenger cap on airport charges	**€9.30**	€9.57
*Under recovery of airport charges	**€0.12**	€0.02

* As per CN4/2020[1] ("Statement of Dublin Airport Price Cap, 2017 and 2019") the reported under recovery for the purposes of the 2014 Determination is €0.12. However, as per the 2019 Determination, any under-recovery is calculated on an accrual's[2] basis. Applying that methodology, the under recovery for the purposes of the 2021 K factor in the 2019 Determination is zero.

The average airport charge per passenger in 2019 was €9.18 (2018: €9.55). The passenger numbers through Dublin Airport for the year were 32,911,227 (2018: 31,495,604). The price cap set by CAR for the year was €9.30 (2018: €9.57).

Persons with reduced mobility ("PRM")

Dublin Airport PRM charges of €9.0 million (2018: €8.0 million) are included in passenger charges within airport charges as they form part of the price cap pursuant to CP 4/2009 (Determination on Maximum Levels of Airport Charges at Dublin Airport).

Cargo services charges

No separate charges in respect of cargo were levied during the year other than charges generally applicable to the landing, parking or taking off of cargo aircraft (including the supply of airbridges), which are disclosed as airport charges.

[1] https://www.aviationreg.ie/_fileupload/2020/2020-04-29%202019%20Price%20Statement%20copy.pdf

[2] Excluding price cap provision.

Notes (continued)
for the year ended 31 December 2019

Access to installations ("ATI")

Pursuant to S.I. No. 505/1998 - Regulations Entitled European Communities (Access To The Groundhandling Market At Community Airports) Regulations, 1998, daa plc is required to seek approval from CAR for changes to ATI fees. Dublin Airport ATI fees comprise fees for check-in desks and baggage hall desks. Included in property and concessions turnover are ATI fees for check-in desks of €3.4 million (2018: €3.2 million) and baggage hall desks of €0.1 million (2018: €0.1 million).

3 Payroll and related costs

	2019	2018
	€000	€000
Wages and salaries	**163,165**	152,668
Social insurance costs	**15,751**	14,644
Retirement benefit costs	**9,350**	8,525
Other payroll related costs	**2,113**	2,062
	190,379	177,899
Staff costs capitalised into fixed assets	**(16,388)**	(13,949)
Payroll and related costs	**173,991**	163,950

Notes (continued)
for the year ended 31 December 2019

4 Materials and services

	2019 €000	2018 €000
Repairs and maintenance costs	**13,628**	14,587
Rents and rates	**15,233**	15,722
Energy costs	**5,722**	5,867
Technology operating costs & CUTE*	**10,720**	9,538
Insurance	**4,615**	3,509
Cleaning contracts & materials	**3,858**	3,664
Fees and professional services	**12,133**	10,902
Marketing & promotional costs	**4,809**	5,506
Aviation customer support	**718**	2,567
Telephone print and stationery	**944**	934
Employee related overheads	**6,637**	5,259
Other overheads	**15,764**	10,598
PRM service provider	**8,936**	7,157
Travel & subsistence	**864**	967
Car park direct overheads	**5,025**	4,887
CAR costs	**4,609**	2,546
	114,215	104,210

*Common user terminal equipment

5 Depreciation and amortisation

	2019 €000	2018 €000
Depreciation and loss on retirements and disposals of fixed assets	**108,616**	106,337
Amortisation of capital grants	**(616)**	(639)
	108,000	105,698

6 Exceptional items and fair value adjustments on investment property

a) Fair value adjustment on investment property
The Regulated Entity has engaged independent valuation specialists to determine the fair value of its properties deemed to be investment properties at 31 December 2019. These valuations resulted in the Regulated Entity recognising a fair value revaluation gain of €29.4 million (2018: €5.2 million). The impact on taxation was the recognition of a net deferred tax charge of €4.0 million (2018: charge of €1.1 million).

b) Gain on tangible fixed assets
In 2018, the Regulated Entity 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.

Notes (continued)
for the year ended 31 December 2019

7 Approval of Regulated Entity Accounts

The Regulated Entity Accounts were approved by the Board on 19 June 2020.

Appendix 1 – Passenger numbers

	2019	2018
Embarking	**16,358,262**	15,654,118
Disembarking	**16,318,375**	15,603,743
Transit	**234,590**	237,743
	32,911,227	31,495,604

Appendix 2 - Employee numbers

	2019	2018
Average Full-time Equivalents	**2,873**	2,751

Appendix 3 – Excluded information

The following information which has been included in the full Regulated Entity Accounts that have been submitted to the Commission has been excluded from these extracted Regulated Entity Accounts, on the grounds of relevance to the regulated business.

"Other Activities" column in the profit and loss account which relates to the non-regulated activities
Statement of other comprehensive income
Balance sheet
Statement of changes in equity
Cash flow statement
"Other Activities" column in the profit and loss account notes 2, 3, 4 and 5
Note 7 Financial income/(expense)
Note 8 Tax on profit/(loss) on ordinary activities
Note 9 Tangible fixed assets
Note 10 Investment property
Note 11 Intangible fixed assets
Note 12 Investments
Note 13 Subsidiary undertakings
Note 14 Stock
Note 15 Debtors
Note 16 Creditors: amounts falling due within one year
Note 17 Creditors: amounts falling due after more than one year
Note 18 Capital grants
Note 19 Financial liabilities
Note 20 Provisions for liabilities
Note 21 Deferred tax liability/(asset)
Note 22 Reconciliation of net assets
Note 23 Called up share capital
Note 24 Reconciliation of operating profit to cash generated by operations
Note 25 Analysis of net debt
Note 26 Retirement benefits