

daa plc
**Financial Review and Extract from
Regulated Entity Accounts**

Year Ended 31 December 2020

daa plc

Financial Review and Extract From Regulated Entity Accounts

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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 2020 of the relevant legal entities comprising the Regulated Entity as set out under the Basis of Preparation on page 8. 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 8 to 17 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 8.

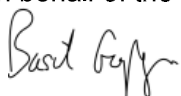
In preparing the statutory financial statements, the directors are required to:

- 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
Chairman



Dalton Philips
Director

13 April 2021

Financial Review and Extract From Regulated Entity Accounts

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

for the year ended 31 December 2020

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 2019 'Final Determination - Maximum Level of Airport Charges at Dublin Airport (October 2019)'.

CAR forecasts have been inflated in line with the percentage change in the Consumer Price Index between February 2019 and October 2019 which was 1.1%.

Financial Overview

The outbreak and continuing spread of COVID-19 presents a number of different risks to the Regulated Entity's principal activities. The virus has had a significant impact on the global and local economy, our airline partners, passengers and retail customers. The tighter travel restrictions, the number and duration of the lockdowns together with a significant number of airport closures, flight cancellations and suspensions, has resulted in a substantial reduction in travel and business activities, which has had a significant knock on impact on the Regulated Entity's revenues and profitability in 2020. The sharp decline in passenger numbers during 2020 together with the increased proportion of cargo has resulted in higher revenue yields per passenger than would otherwise be the case.

Dublin Airport's loss after taxation before exceptional items and related tax is €106.9 million, (2019: profit of €134.3 million). Exceptional items increase the loss after tax by €77.9 million (2019: reduce profit by €0.1 million).

During the year in response to significant challenges in the business environment as a result of the Covid-19 pandemic, a restructuring programme was implemented to reduce operating costs and right-size the airport in line with expected passenger volumes. The restructuring programme includes a voluntary severance scheme, career break option, and changes to work practices and ways of working. Costs associated with the restructure amounting to €87.6 million have been charged to exceptional items in 2020.

Passengers and airport charges

Passengers in Dublin Airport for 2020 were 7.4 million (2019: 32.9 million), which is 26.6 million or 78% below the CAR passenger forecast for 2020 of 34 million (2019: 24.8 million). In light of the impact of Covid-19 on the aviation sector in 2020 it was agreed that an Interim Review of the 2019 Determination would be carried out to assess the consequences to the regulatory settlement relating to the 2020 and 2021 price cap, to remove outdated targets, which may have provided perverse incentives or impacts which were not anticipated in 2019. This review was concluded in December 2020, with the revised Decision outlining that the 2020 price cap compliance would be assessed against individual caps per service unit, whereby CAR replaced the ex-ante cap with the charges which were actually in effect for 2020, stating that this was aligned with their statutory objectives. Airport charges for the purpose of price cap compliance in 2020 amounted to €73.4 million (2019: €302.3 million). See Note 2 for further information and details of the compliance with individual caps per service unit in compliance with CAR's Commission Paper 12/2020 dated 22 December 2020 are set out in Appendix 3.

Commercial revenue

Consistent with the impact on aeronautical revenues during 2020, the commercial gross margin decline reflected the impact of COVID-19.

Commercial gross margin (commercial revenue) in Dublin Airport for 2020 was €94.5 million (2019: €267.7 million), which was €172.7 million or 65% lower than the CAR commercial revenue forecast of €267.2 million (2019: €164.3 million).

Financial review of the outturn performance of Dublin Airport compared to the CAR Determination Forecast (continued)*for the year ended 31 December 2020*

Commercial revenue per passenger of €12.79 (2019: €8.13) was 63% higher than the CAR forecast of €7.85 (2019: €6.63) due primarily to lower passenger numbers and the inelasticity of longer-term property rentals.

Operating expenses

The operating expenses excluding depreciation, amortisation, exceptional items and government payroll supports in Dublin Airport for 2020 were €208.2 million (2019: €288.2 million), which was €85.3 million or 29% lower than the CAR cost forecast of €293.5 million (2019: €202.0 million¹).

Operating expenses per passenger of €28.19 (2019: €8.76) was 227% higher than the CAR forecast of €8.63 (2019: €8.15) which is primarily a function of the reduced passenger numbers and the fixed and semi-fixed nature of Dublin Airport's operating cost base.

Dublin Airport's reduction in operating costs versus CAR's target is primarily due to a reduction in staff numbers, the removal of pay inflation, increments and bonus payments, and a 20% reduction in hours worked during 2020. In addition, there was a significant reduction in the cost of non-staff related categories of expenditure including volume related reductions which tracked the passenger volumes during the year.

During 2020, Dublin Airport received government support in respect of its payroll opex in the amount of €27.6 million and these supports are shown separately as "Other income" in the income statement on page 7. In addition, Dublin Airport benefited from a waiver of its rates charge (for the nine-month period) to the value of €25 million.

EBITDA

Dublin Airport's Loss before Interest, Taxes, Depreciation and Amortisation (EBITDA), excluding exceptional items was negative €2.1 million (2019: €276.0 million), down €233.8 million on the implied CAR forecast of €231.7 million (2019: €178.8 million¹).

Capital expenditure

2020 was the first year of the 2020-2024 regulatory period. The CAR capital allowance for the five-year period is €1,899.6 million (excluding trigger projects and PACE (Programme of Airport Campus Enhancement)). Capital expenditure on regulatory till activities in 2020 at Dublin Airport was €261.7 million (2019: €203.3 million), of which €106.1 million is relating to Capital Investment Programme ("CIP") 2015 – 2019 (including North Runway), €29.7 million for PACE, and €125.9 million on CIP 2020 – 2024.

Funds from operations: net debt

The funds from operations (FFO):net debt ratio for Dublin Airport was -10.8% (2019: 42.5%) based on a negative FFO for the year of €42.5 million (2019: €245.7 million) and adjusted net debt attributable to the regulated activities at the balance sheet date of €872.3 million (2019: €578.5 million).

Funds from operations (FFO) is calculated based upon S&P Global Ratings' methodology and is defined as EBITDA after 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.

¹ Adjusted for €1.6 million historical pension deficit allowances

Financial Review and Extract From Regulated Entity Accounts

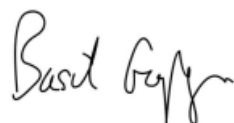
Financial review of the outturn performance of Dublin Airport compared to the CAR Determination Forecast (continued)

for the year ended 31 December 2020

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	(2,105)
Interest paid	(17,071)
Tax credit	11,902
Operating lease payments	382
Post-retirement benefit payments	102
Restructuring costs	(87,568)
Funds from operations (FFO)	(94,358)
Adjusted net debt	
Closing net debt	868,538
Capital value of operating leases	607
Net pension liability	3,121
Adjusted net debt	872,266
FFO: net debt (not meaningful)	-10.8%
Return on RAB	

The return on the Dublin Airport Regulated Asset Base (RAB) for the year was -5.2% (2019: 11.2%). Earnings before interest and tax (EBIT), exceptional items and fair value decreases on investment properties were negative €107.8 million (2019: earnings of €168 million). The average RAB for the year based upon the CAR Determination Forecast is €2,091.4 million (2019: €1,499.5 million).



Basil Geoghegan
Chairman



Dalton Philips
Director

13 April 2021

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

Opinion on the Extract from the Regulated Entity Accounts

In our opinion, the Extract from the Regulated Entity Accounts are consistent, in all material respects with the audited Regulated Entity Accounts, and in accordance the Basis of Preparation.

The Extract from the Regulated Entity Accounts, which are derived from the audited Regulated Entity Accounts of daa plc ("the Company") for the year ended 31 December 2020, comprise:

- Summary profit and loss account - Dublin Airport
- The notes to the Extract from the Regulated Entity Accounts on pages 7 to 21
- Appendix 3

The Extract from the Regulated Entity Accounts are derived from the audited Regulated Entity Accounts of the Company for the financial year ended 31 December 2020 prepared by management on behalf of the directors of the Company. The Basis of Preparation is set out on pages 7 to 16 to the Extract from the Regulated Entity Accounts which is designed to meet the requirements of the Aviation Regulation Act of 2001.

The Extract from the Regulated Entity Accounts are prepared to assist the Company to comply with their regulatory reporting requirements for submission to the Commission for Aviation Regulation ("CAR"). As a result, the Extract from the Regulated Entity Accounts may not be suitable for another purpose. Our report is intended solely for the Company and should not be distributed to or used by parties other than the Company or CAR. 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.

Extract from the Regulated Entity Accounts

The Extract from the Regulated Entity Accounts does not contain all the disclosures required by the special purpose framework applied in the preparation of the audited Regulated Entity Accounts. Reading the Extract from the Regulated Entity Accounts, is not a substitute for reading the audited Regulated Entity Accounts and the auditor's report thereon.

The Audited Regulatory Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited Regulated Entity Accounts in our report dated 13 April 2021.

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.

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

Auditors' Responsibility

Our responsibility is to express an opinion as to whether the Extract from the Regulated Entity Accounts are consistent, in all material respects, with the audited Regulated Entity Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), "Engagements to Report on Summary Financial Statements".



Emer O'Shaughnessy
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

Date: 13 April 2021

daa plc

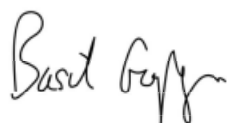
Financial Review and Extract From Regulated Entity Accounts

Summary profit and loss account – Dublin Airport

for the year ended 31 December 2020

		2020 €000	2019 €000
	Note		
Turnover	2	195,920	622,660
Operating costs			
Cost of sales		(17,447)	(58,457)
Payroll and related costs	3	(137,504)	(173,991)
Materials and services	5	(70,672)	(114,215)
Other income	4	27,598	-
Depreciation and amortisation	6	(105,666)	(108,000)
Exceptional item – fair value adjustment on investment properties	7	(1,833)	(135)
Exceptional item – restructuring costs	7	(87,568)	-
		(393,092)	(454,798)
Operating (loss)/profit – continuing operations		(197,172)	167,862
(Loss)/profit before interest and taxation		(197,172)	167,862
Financial expense		(16,328)	(15,750)
Fair value adjustment on financial instruments		1,780	(733)
(Loss)/profit on ordinary activities before taxation		(211,720)	151,379
Taxation credit/(charge) on (loss)/profit on ordinary activities		26,811	(17,160)
(Loss)/profit for the financial year		(184,909)	134,219
Exceptional items (net of taxation)		(77,993)	105
(Loss)/profit for the financial year excluding exceptional items		(106,916)	134,324

On behalf of the Board



Basil Geoghegan
Chairman



Dalton Philips
Director

13 April 2021

Notes on and forming part of the financial statements

for the year ended 31 December 2020

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 (together comprising "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 2020 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 daa international Limited) 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 2020

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. Restructuring costs related to the restructuring programme have been split based on the location of employees who availed of the scheme. See Note 7 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 Regulated Entity 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 2020

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.

The Company has applied temporary concession fee relief and or concession deferrals as a direct consequence of the COVID-19 pandemic. The Company continues to negotiate with customers, in some cases this has led to variations to lease and concession agreements being reached for various customers. The change in the rent concession income has been recognised over the periods that the change is intended to compensate.

Other income

Other income comprises government grants and assistance availed of by the Regulated Entity in the form of governments subsidised wage schemes to provide relief for entities during the COVID-19 pandemic. Government grants are recognised in the Profit and Loss on a systematic basis over the period in which the entity has recognised the related costs for which the grants are intended to compensate.

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).

Notes (continued)

for the year ended 31 December 2020

1 Accounting Policies (continued)

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.
- (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. Due to COVID-19, the allowance also relates to dated and perishable stock as the sell through rate significantly decreased due to the closures of retail stores as a result of the implementation of Government restrictions.

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.

Notes (continued)

*for the year ended 31 December 2020***1 Accounting Policies (continued)****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 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.

Notes (continued)

*for the year ended 31 December 2020***1 Accounting Policies (continued)**

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.

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 Regulated Entity'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.

Notes (continued)

for the year ended 31 December 2020

1 Accounting Policies (continued)

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.

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.

Notes (continued)

for the year ended 31 December 2020

1 Accounting Policies (continued)

- 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.

Unfunded retirement benefit liabilities 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.

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 Regulated Entity 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.

Notes (continued)

for the year ended 31 December 2020

1 Accounting Policies (continued)

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.

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 Regulated Entity uses derivative financial instruments to reduce exposure to foreign exchange risk. The Regulated Entity 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 Regulated Entity 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.

Notes (continued)

for the year ended 31 December 2020

1 Accounting Policies (continued)**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.

2 Turnover

	2020	2019
	€000	€000
Aeronautical turnover*	84,012	296,530
Property and concessions**	39,510	60,483
Direct retailing and retail/catering concessions	44,609	168,958
Car parking	13,845	53,733
Advertising	2,586	5,816
Other activities	11,358	37,140
	<hr/> 195,920 <hr/>	<hr/> 622,660 <hr/>

* Aeronautical turnover for 2020 includes the release of a provision in the amount of €10.6m which was set aside in 2019 pending confirmation from CAR of the 2019 price cap which determines the maximum level of airport charges allowed.

** includes ATI and baggage hall fees of €2.2 million (2019: €3.4 million) and €0.1 million (2019: €0.1 million) respectively.

Airport charges

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

Notes (continued)

for the year ended 31 December 2020

2 Turnover (continued)

	2020 €000	2019 €000
Runway	29,204	125,521
Aircraft parking	8,344	21,229
Airbridge	1,180	2,000
Passenger charges	37,570	190,017
Traffic / route incentive schemes	(2,889)	(36,500)
	<hr/>	<hr/>
Airport charges for price cap compliance	73,409	302,267
Movement in provision in respect of incentive schemes	-	4,866
Movement in provision	10,603	(10,603)
	<hr/>	<hr/>
Aeronautical turnover	84,012	296,530
	<hr/>	<hr/>
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.

	2020 Dublin Airport	2019 Dublin Airport
Airport charges	73,408,579	302,267,419
Passenger numbers	7,386,427	32,911,227
	<hr/>	<hr/>
Average airport charge per passenger	€9.94	€9.18
*Per passenger cap on airport charges	N/A	€9.30
	<hr/>	<hr/>
**Under recovery of airport charges	N/A	€0.12
	<hr/>	<hr/>

- * In CAR's Commission Paper 12/2020 ("Decision on an Interim Review of the 2019 Determination in relation to 2020 and 2021"), it set the maximum amount of revenue which Dublin Airport could collect in 2020 by virtue of a menu of published airport charges by service by season. See Appendix 3.

Notes (continued)

for the year ended 31 December 2020

2 Turnover (continued)

****** In CAR's Commission Note 4/2020² ("Statement of Dublin Airport Price Cap, 2017 and 2019") the reported under recovery for the purposes of the 2014 Determination is €0.12 in 2019. However, the 2019 Determination set out that any under-recovery would be calculated on an accruals³ basis and under this methodology, the under recovery for the purposes of the 2021 k factor in the 2019 Determination is €0.00.

The average airport charge per passenger in 2020 was €9.94 (2019: €9.18). The passenger numbers through Dublin Airport in 2020 was 7,386,427 (2019: 32,911,227). Based on the published menu of airport charges issued in 2019 for 2020, Dublin Airport has not exceeded the level of revenue which it is allowed to collect for the year ended 31 December 2020. The price cap set by CAR in 2019 was €9.30 per passenger.

Persons with reduced mobility ("PRM")

Dublin Airport PRM charges of €2 million (2019: €9 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.

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 €2.2 million (2019: €3.4 million) and baggage hall desks of €0.1 million (2019: €0.1 million).

² https://www.aviationreg.ie/_fileupload/2020/2020-04-29%202019%20Price%20Statement%20copy.pdf

³ Excluding price cap provision.

Notes (continued)

for the year ended 31 December 2020

3 Payroll and related costs

	2020 €000	2019 €000
Wages and salaries	131,764	163,165
Social insurance costs	6,434	15,751
Retirement benefit costs	10,246	9,350
Other payroll related costs	2,094	2,113
	<hr/> 150,538	<hr/> 190,379
Staff costs capitalised into fixed assets	(13,034)	(16,388)
	<hr/> 137,504	<hr/> 173,991
Payroll and related costs		
Government Wage Subsidy Scheme		
- other income (Note 4)	(27,598)	-
	<hr/> 109,906	<hr/> 173,991
Net payroll and related costs		

4 Other income

	2020 €000	2019 €000
Government Wage Subsidy Scheme (Note 3)	27,598	-

The Regulated Entity recognised €29.9 million, of which €27.6 million related to Dublin Airport in respect of Government support relating to wage subsidy schemes introduced in Ireland, in response to the COVID-19 pandemic which the company was entitled to avail of.

Notes (continued)

for the year ended 31 December 2020

5 Materials and services

	2020 €000	2019 €000
Repairs and maintenance costs	10,656	13,628
Rents and rates	9,698	15,233
Energy costs	4,688	5,722
Technology operating costs & CUTE*	8,765	10,720
Insurance	4,057	4,615
Cleaning contracts & materials	2,680	3,858
Fees and professional services	8,807	12,133
Marketing & promotional costs	923	4,809
Aviation customer support	(1,593)	718
Telephone print and stationery	725	944
Employee related overheads	3,495	6,637
Other overheads	9,415	15,764
PRM service provider	2,793	8,936
Travel & subsistence	71	864
Car park direct overheads	1,798	5,025
CAR costs	3,694	4,609
	<hr/> 70,672 <hr/>	<hr/> 114,215 <hr/>

* Common user terminal equipment

6 Depreciation and amortisation

	2020 €000	2019 €000
Depreciation and loss on retirements and disposals of fixed assets	106,172	108,616
Amortisation of capital grants	(506)	(616)
	<hr/> 105,666 <hr/>	<hr/> 108,000 <hr/>

7 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 2020. These valuations resulted in Dublin Airport recognising a fair value decrease of €1.8 million (2019: decrease of €0.1 million). The impact on taxation was the recognition of a net deferred tax credit of €0.5 million (2019: credit of €0.03 million).

Notes (continued)

for the year ended 31 December 2020

7 Exceptional items and fair value adjustments on investment property (continued)

b) Restructuring costs

During the year in response to significant challenges in the business environment as a result of the Covid-19 pandemic, a restructuring programme was implemented to reduce costs and right-size the airport's cost base in line with expected passenger volumes.

The restructuring programme includes a voluntary severance scheme, career break option, and changes to work practices and conditions.

Costs associated with the restructure for Dublin Airport amounting to €87.6 million have been charged to exceptional items. The impact on taxation was a tax credit of €10.9m million.

8 Approval of Regulated Entity Accounts

The Regulated Entity Accounts were approved by the Board on 13 April 2021.

Appendix 1 – Passenger numbers

	2020	2019
Embarking	3,623,814	16,358,262
Disembarking	3,647,782	16,318,375
Transit	114,831	234,590
	<hr/>	<hr/>
	7,386,427	32,911,227
	<hr/>	<hr/>

Appendix 2 - Employee numbers

	2020	2019
Average Full-time Equivalents	2,345	2,873
	<hr/>	<hr/>

Appendix 3 – Revenue per service unit for each airport charge

The table below demonstrates that revenue per unit for each airport charge is in compliance with the determined caps as set out in CAR's Commission Paper 12/2020 ("Decision on an Interim Review of the 2019 Determination in relation to 2020 and 2021")

	Winter 19/20	Summer 20	Winter 20/21	Total
RUNWAY CHARGES				
Band 1 Revenue (€'000)	13,262	13,131	1,515	27,908
Band 1 Units (000s)	<u>3,240</u>	<u>2,562</u>	<u>704</u>	<u>6,506</u>
Revenue per Unit (€)	€4.09	€5.13	€2.15	
<i>Determined Cap (€)</i>	€4.10	€5.50	€2.15	
Band 2 Revenue (€'000)	926	370	-	1,296
Band 2 Units (000s)	<u>281</u>	<u>284</u>	<u>99</u>	<u>664</u>
Revenue per Unit (€)	€3.29	€1.30	€0.00	
<i>Determined Cap (€)</i>	€3.30	€1.50	€0.00	
TOTAL RUNWAY CHARGES	<u>14,188</u>	<u>13,501</u>	<u>1,515</u>	<u>29,204</u>
PASSENGER CHARGES				
Contact Revenue (€'000)	23,977	7,729	1,800	33,506
Contact Units (000s)	<u>2,243</u>	<u>789</u>	<u>248</u>	<u>3,280</u>
Revenue per Unit (€)	€10.69	€9.80	€7.25	
<i>Determined Cap (€)</i>	€10.69	€9.80	€7.25	
Remote Revenue (€'000)	420	12	3	435
Remote Units (000s)	<u>55</u>	<u>2</u>	<u>1</u>	<u>58</u>
Revenue per Unit (€)	€7.69	€5.20	€2.65	
<i>Determined Cap (€)</i>	€7.69	€5.20	€2.65	
Satellite Revenue (€'000)	1,086	-	-	1,086
Satellite Units (000s)	<u>107</u>	<u>-</u>	<u>-</u>	<u>107</u>
Revenue per Unit (€)	€10.19	-	-	
<i>Determined Cap (€)</i>	€10.19	€8.80	€6.25	
Transfer Revenue (€'000)	242	43	12	297
Transfer Units (000s)	<u>121</u>	<u>21</u>	<u>6</u>	<u>148</u>
Revenue per Unit (€)	€2.00	€2.00	€2.00	
<i>Determined Cap (€)</i>	€2.00	€2.00	€2.00	
PRM Revenue (€'000)	1,414	471	148	2,033
PRM Units (000s)	<u>2,525</u>	<u>812</u>	<u>255</u>	<u>3,592</u>
Revenue per Unit (€)	€0.56	€0.58	€0.58	
<i>Determined Cap (€)</i>	€0.56	€0.58	€0.58	
Fast Track Revenue (€'000)	169	34	10	213
Fast Track Units (000s)	<u>211</u>	<u>43</u>	<u>12</u>	<u>266</u>
Revenue per Unit (€)	€0.80	€0.80	€0.80	
<i>Determined Cap (€)</i>	€0.80	€0.80	€0.80	
TOTAL PASSENGER CHARGES	<u>27,308</u>	<u>8,289</u>	<u>1,973</u>	<u>37,570</u>

Appendix 3 – Revenue per service unit for each airport charge (continued)

	Winter 19/20	Summer 20	Winter 20/21	Total
PARKING CHARGES				
Wide/Contact Revenue (€'000)	739	180	54	972
Wide/Contact Units (000s)	<u>23</u>	<u>68</u>	<u>20</u>	<u>111</u>
Revenue per Unit (€)	€32.60	€2.65	€2.65	
<i>Determined Cap (€)</i>	€34.90	€34.90	€34.90	
Narrow/Contact Revenue (€'000)	2,994	882	323	4,198
Narrow/Contact Units (000s)	<u>117</u>	<u>333</u>	<u>122</u>	<u>572</u>
Revenue per Unit (€)	€25.64	€2.65	€2.65	
<i>Determined Cap (€)</i>	€27.90	€27.90	€27.90	
Wide/Remote Revenue (€'000)	139	174	68	381
Wide/Remote Units (000s)	<u>16</u>	<u>66</u>	<u>26</u>	<u>108</u>
Revenue per Unit (€)	€8.59	€2.65	€2.65	
<i>Determined Cap (€)</i>	€9.60	€9.60	€9.60	
Narrow/Remote Revenue (€'000)	851	1,026	338	2,214
Narrow/Remote Units (000s)	<u>121</u>	<u>387</u>	<u>128</u>	<u>636</u>
Revenue per Unit (€)	€7.05	€2.65	€2.65	
<i>Determined Cap (€)</i>	€7.70	€7.70	€7.70	
Wide/Satellite Revenue (€'000)	0	-	-	0
Wide/Satellite Units (000s)	<u>0</u>	<u>-</u>	<u>-</u>	<u>0</u>
Revenue per Unit (€)	€33.10	-	-	
<i>Determined Cap (€)</i>	€33.10	€33.10	€33.10	
Narrow/Satellite Revenue (€'000)	406	-	-	406
Narrow/Satellite Units (000s)	<u>15</u>	<u>-</u>	<u>-</u>	<u>15</u>
Revenue per Unit (€)	€26.50	-	-	
<i>Determined Cap (€)</i>	€26.50	€26.50	€26.50	
Light Aircraft Revenue (€'000)	55	69	33	156
Light Aircraft Units (000s)	<u>21</u>	<u>26</u>	<u>12</u>	<u>59</u>
Revenue per Unit (€)	€2.65	€2.65	€2.65	
<i>Determined Cap (€)</i>	€2.65	€2.65	€2.65	
Long Term Remote Revenue (€'000)	15	-	-	15
Long Term Remote Units (000s)	<u>0</u>	<u>-</u>	<u>-</u>	<u>0</u>
Revenue per Unit (€)	€180.00	-	-	
<i>Determined Cap (€)</i>	€180.00	€180.00	€180.00	
TOTAL PARKING CHARGES	<u>5,199</u>	<u>2,330</u>	<u>815</u>	<u>8,344</u>
AIRBRIDGE CHARGES				
Airbridge Revenue	489	525	166	1,180
Airbridge Units (000s)	<u>67</u>	<u>71</u>	<u>23</u>	<u>161</u>
Revenue per Unit (€)	€7.35	€7.35	€7.35	
<i>Determined Cap (€)</i>	€7.35	€7.35	€7.35	
TOTAL AIRBRIDGE CHARGES	<u>489</u>	<u>525</u>	<u>166</u>	<u>1,180</u>

Appendix 4 – 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, 5 and 6

Note 8 Financial income/(expense)

Note 9 Tax on profit/(loss) on ordinary activities

Note 10 Tangible fixed assets

Note 11 Investment property

Note 12 Intangible fixed assets

Note 13 Investments

Note 14 Subsidiary undertakings

Note 15 Stock

Note 16 Debtors

Note 17 Creditors: amounts falling due within one year

Note 18 Creditors: amounts falling due after more than one year

Note 19 Capital grants

Note 20 Financial liabilities

Note 21 Provisions for liabilities

Note 22 Deferred tax liability/(asset)

Note 23 Reconciliation of net assets

Note 24 Called up share capital

Note 25 Reconciliation of operating profit to cash generated by operations

Note 26 Analysis of net debt

Note 27 Retirement benefits

Note 28 Implications of COVID-19