MALTA INTERNATIONAL AIRPORT PLC

Report 2018

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VISION.

Our vision is to offer the best airport experience in Europe that consistently seeks to delight our guests.

CONTENTS

INTRODUCTION

AT MALTA INTERNATIONAL AIRPORT, WE ARE GUIDED BY A VISION OF SERVICE EXCELLENCE. FOR THIS REASON, WE PLACE GREAT IMPORTANCE UPON OUR GUESTS' FEEDBACK. POSITIVE COMMENTS HEARTEN US TO ENHANCE WHAT WE ARE ALREADY DOING RIGHT AND SUGGESTIONS ENABLE US TO ADDRESS ASPECTS OF OUR OPERATION WHICH CAN BE IMPROVED. IN THIS YEAR'S REPORT, WE HAVE INCLUDED A SELECTION OF COMMENTS AND SUGGESTIONS OUR GUESTS HAVE COMMUNICATED TO US THROUGH DIFFERENT CHANNELS.

KEY DATA

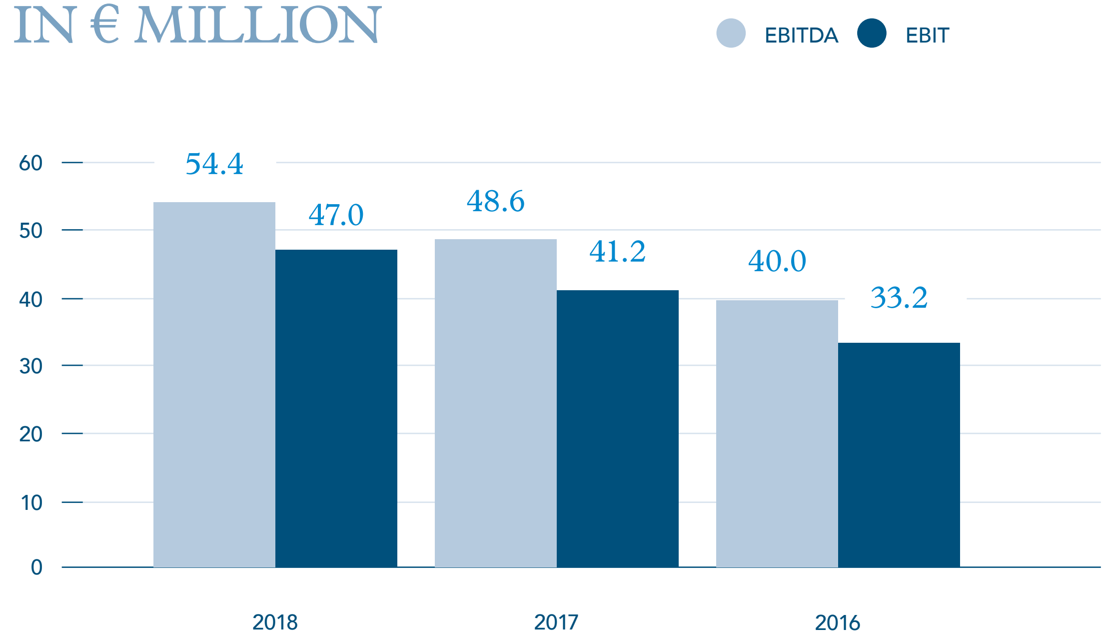
Industry Indicators	2018	Change	2017	2016
Passengers in million	**6.8**	13.2%	6.0	5.1
thereof Transfer passengers	**23,164**	59.2%	14,553	5,827
Flight movements	**48,737**	13.4%	42,987	37,383
Seat occupancy in %	**81.8%**	-0.6 pp	82.4%	83.2%
MTOW in million tonnes	**2.0**	13.0%	1.7	1.5
Cargo in tonnes	**17,684**	9.3%	16,177	15,697

Financial Indicators (in € million)				
Total revenue	**92.2**	11.9%	82.4	73.1
thereof Aviation	**65.5**	11.1%	59.0	51.5
thereof Non-Aviation	**26.7**	14.1%	23.4	21.6
EBIT	**47.0**	14.3%	41.2	33.2
EBIT margin in %	**51.0%**	1.0 pp	50.0%	45.4%
EBITDA	**54.4**	12.1%	48.6	40.0
EBITDA margin in %	**59.0%**	0.0 pp	59.0%	54.7%
ROCE in %	**30.0%**	3.0 pp	27.0%	20.6%
Net Profit	**30.3**	25.6%	24.2	21.0
Cash flow from operating activities	**36.8**	-13.7%	42.7	27.3
Equity	**112.6**	17.6%	95.8	85.1
Balance sheet total	**169.8**	-7.1%	182.9	172.4
Capital expenditure	**8.4**	-39.7%	14.0	7.2
Taxes on income	**16.8**	24.9%	13.4	11.4
Average employees for the year	**340**	10.7%	307	304

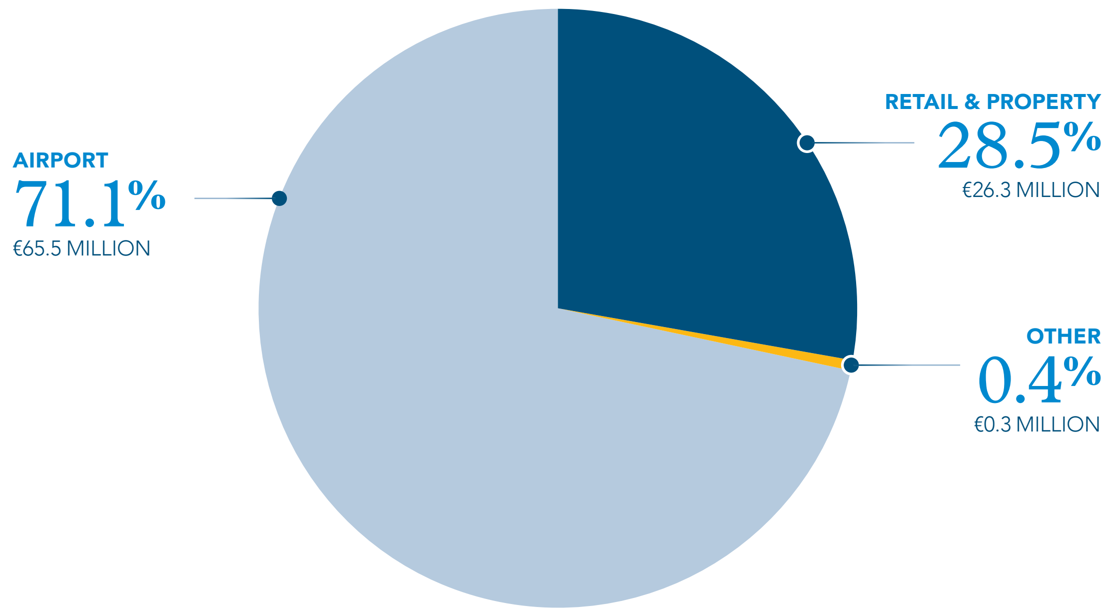
Stock Market Indicators				
Shares outstanding in million	**135.3**	0.0%	135.3	135.3
P/E ratio	**25.9**	-1.9%	26.4	26.1
Earnings per share in €	**0.224**	25.8%	0.178	0.155
Net Dividend per share in € *	**0.12**	20.0%	0.10	0.10
Net Dividend yield in %	**2.1%**	0.0 pp	2.1%	2.1%
Pay-out ratio as a % of net profit	**53.5%**	-2.5 pp	56.0%	64.5%
Market capitalisation in € million	**784.7**	23.4%	635.9	548.0
Stock price as at year end in €	**5.80**	23.4%	4.70	4.05
Stock price: high in €	**6.40**	33.3%	4.80	4.76
Stock price: low in €	**4.70**	16.0%	4.05	4.00
Market weighting in %	**16.3%**	2.7 pp	13.6%	12.1%

* Reporting Year: Recommendation to the Annual General Meeting

EBITDA & EBIT IN € MILLION



REVENUE BY SEGMENT



CHAIRMAN'S MESSAGE

2018 SAW MALTA INTERNATIONAL AIRPORT GROW FROM STRENGTH TO STRENGTH. THE AIRPORT POSTED EXCELLENT RESULTS IN BOTH ITS AVIATION AND NON-AVIATION SEGMENTS, LEADING THE COMPANY TO ONCE AGAIN END THE YEAR IN A STRONG FINANCIAL POSITION AND ENABLING IT TO CONTINUE TO INVEST IN THE TERMINAL'S INFRASTRUCTURE AS A MEANS TO FURTHER HEIGHTEN GUEST EXPERIENCE.

Over 6.8 million passengers travelled through our airport during the year under review, translating into an increase of 13.2% in passenger movements over 2017. The strong double-digit growth registered by Malta International Airport stands out particularly when compared to the performance of its European counterparts hosting between five and ten million passengers annually. In fact, according to Airports Council International's annual traffic report for 2018, passenger traffic for our peer group grew by just over 6% within the same time frame.

Even as passenger numbers continued to increase, the Company kept its sight set on its vision to offer the best airport experience in Europe, and continued to embed a customer-centric culture at the heart of its operations. The collective efforts of both Malta International Airport employees and stakeholders made in pursuit of service excellence were duly noted by our guests, whose feedback, gathered through ACI's annual Airport Service Quality survey, continues to serve as a benchmark for high-quality service for our team. In 2018, an all-time high overall passenger satisfaction score of 4.36 led Malta International Airport to claim the prestigious Best Airport in Europe award in its size category.

Throughout the year, we also kept our efforts aligned to our revenue diversification strategy, which focuses on growing the airport campus and further developing the Company's non-aviation segment. All in all, record passenger numbers coupled with a marked improvement in the Company's non-aviation activities led Malta International Airport's net profit to rise by 25.6% to reach €30.3 million in 2018.

With traffic projections for 2019 indicating that passenger traffic through our airport is expected to exceed seven million passenger movements and an ambitious investment plan being rolled out, the team is undoubtedly facing a challenging year ahead but, as years of experience in an ever-changing industry have taught us, preparedness is key. The multi-million-euro transformation undergone by our airport over the past few years has already enabled us to improve the efficiency of our airport's operations, without being beset by over-capacity.

The Terminal Reconfiguration Project, has developed Malta's airport into one which is better suited to support future passenger growth and able to cater for the growing needs of diverse passenger profiles. Now that this project has been completed, the Company has set its focus on the roll-out of its master plan. The SkyParks 2 investment will take the airport campus to the next level while continuing to boost our non-aviation segment, by providing high-quality facilities, including additional office and retail space, and introducing a business hotel.

While expressing my gratitude to all our guests, employees, stakeholders and shareholders who have contributed to the various successes achieved by the Company during the past year, I look forward to seeing what the future holds for Malta International Airport. I am confident that the team's efforts in pursuit of our vision, coupled with the continuous support and trust of our shareholders, will enable the Company to journey on the path of sustainable growth, while simultaneously bolstering the local economy and delivering a healthy return on our shareholders' investments.

NIKOLAUS GRETZMACHER
CHAIRMAN

MESSAĠĠ TAĊ-CHAIRMAN

FL-2018, L-AJRUPORT INTERNAZZJONALI TA' MALTA KOMPLA JISSAĦĦAĦ. IR-RIŻULTATI EĊĊELLENTI LI KISEB L-AJRUPORT KEMM FIS-SEGMENT TAL-AVJAZZJONI KIF UKOLL FIS-SEGMENT TAL-BEJGĦ U L-PROPRJETÀ WASSLU LILL-KUMPANIJA BIEX TAGĦLAQ SENA OĦRA F'POŻIZZJONI FINANZJARJA B'SAĦĦITHA. HUMA DAWN L-ISTESS RIŻULTATI LI JIŻGURAW LI L-KUMPANIJA TKOMPLI TINVESTI F'ĦIDMIET INFRASTRUTTURALI FIT-TERMINAL MAĦSUBIN LI JGĦINUNA NKOMPLU NTEJBU S-SERVIZZI LI NOFFRU LIL KULL PASSIĠĠIER.

Matul l-2018, il-movimenti tal-passiġġieri żdiedu bi 13.2% fuq is-sena ta' qabel, hekk kif l-ajruport laqa' iktar minn 6.8 miljun passiġġier. Ir-rata mgħaġġla ta' tkabbir irreġistrata mill-Ajruport Internazzjonali ta' Malta tispikka b'mod partikolari meta titqabbel mal-prestazzjoni ta' ajruporti Ewropej tal-istess daqs; jiġifieri li jilqgħu bejn ħames u għaxar miljun passiġġier fis-sena. Fil-fatt, skont ir-rapport annwali tat-traffiku maħruġ minn Airports Council International (Kunsill Internazzjonali tal-Ajruporti - ACI) fl-2018, it-traffiku ta' ajruporti Ewropej fil-klassi tagħna kiber bi ftit iktar minn 6% matul l-istess perjodu.

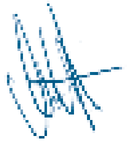
Minkejja ż-żieda fit-traffiku tal-ajruport, il-Kumpanija baqgħet tistinka sabiex tilħaq il-viżjoni tagħha, dik li toffri l-aqwa esperjenza possibbli fl-ajruport fl-Ewropa, billi kompliet iżżomm lill-passiġġieri fil-qalba tal-ħidma tagħha. Il-passiġġieri tagħna, min-naħa tagħhom, ma naqsux milli jirrikonoxxu l-isforzi kollettivi tal-Ajruport Internazzjonali ta' Malta u tal-partijiet interessati, li ħadmu flimkien sabiex ikomplu joffru servizzi tal-ogħla kwalità. Kien l-istħarriġ annwali dwar il-Kwalità tas-Servizz fl-Ajruporti ta' ACI, li t-tim tagħna jkompli juża bħala gwida sabiex jibqa' miexi 'l quddiem, li ġabar ir-reazzjonijiet tal-passiġġieri tagħna. Fl-2018, iż-żieda fil-livell ta' sodisfazzjon tal-passiġġieri tagħna, li għall-ewwel darba laħaq il-punteġġ ta' 4.36, wassal lill-Ajruport Internazjonali ta' Malta biex jingħata l-premju prestiġjuż tal-Aqwa Ajruport fl-Ewropa fost ajruporti li jaqgħu taħt l-istess kategorija.

F'konformità mal-istrateġija ta' diversifikazzjoni fid-dħul tal-ajruport, il-Kumpanija baqgħet tiżviluppa s-segment tal-bejgħ u l-proprjetà matul is-sena li għaddiet, filwaqt li kompliet tfassal pjanijiet għat-tkabbir tal-kampus tal-ajruport. Permezz ta' numru ta' passiġġieri bla preċedent flimkien ma' titjib sinifikanti rreġistrat mill-attivitajiet tal-Kumpanija marbutin mal-bejgħ u l-proprjetà, l-Ajruport Internazzjonali ta' Malta rnexxielu jagħlaq is-sena bi profitt nett ta' €30.3 miljun; żieda ta' 25.6% fuq l-2017.

Hekk kif huwa mbassar li iktar minn seba' miljun passiġġier għandhom jgħaddu mill-ajruport matul is-sena li ġejja, u li pjan ta' investiment ambizzjuż għandu jibda jiġi mwettaq, it-tim bla dubju għandu sena ta' sfida quddiemu. Madankollu, snin ta' esperjenza f'industrija li tinbidel b'ritmu mgħaġġel għallmuna li bniedem avżat nofsu armat. Il-miljuni li investejna fit-trasformazzjoni tal-ajruport f'dawn l-aħħar snin diġà qed jagħtu l-frott, hekk kif l-effiċjenza tal-ajruport għamlet qabża 'l quddiem minkejja l-isfidi li jġib miegħu l-ispazju limitat li qegħdin naħdmu bih.

Il-Proġett ta' Rikonfigurazzjoni tat-Terminal, żviluppa l-ajruport ta' Malta f'wieħed li mhux biss jiflaħ jilqa' iktar passiġġieri iżda li huwa kapaċi jaqdi l-bżonnijiet ta' kull passiġġier ukoll. Issa li tlesta dan il-proġett, il-Kumpanija se tkun qed titfa' ħarsitha fuq l-eżekuzzjoni tal-master plan. L-investiment fi SkyParks 2 mistenni jkompli jtejjeb il-livell tal-kampus tal-ajruport filwaqt li jagħti spinta lis-segment tal-bejgħ u l-proprjetà billi joffri faċilitajiet tal-ogħla kwalità, li jinkludu spazju miżjud għall-uffiċini u għall-ħwienet, u jintroduċi lukanda mmirata lejn passiġġieri li jkunu qed jivvjaġġaw fuq xogħol.

Filwaqt li nirringrazzja lill-passiġġieri, lill-impjegati, lill-partijiet interessati kif ukoll lill-azzjonisti tagħna, li lkoll taw sehemhom matul is-sena li għaddiet biex il-Kumpanija tirreġistra sena oħra ta' suċċessi varji, nistenna s-sena li ġejja bil-ħerqa. Ninsab ċert li l-ħidma tat-tim immirata lejn it-twettiq tal-viżjoni tal-Ajruport Internazzjonali ta' Malta, flimkien mal-appoġġ kontinwu muri mill-azzjonisti tagħna, se jkomplu jwittu triq ta' tkabbir sostenibbli għall-Kumpanija, li se jippermettilha tkompli tikkontribwixxi għal ekonomija b'saħħitha u tagħti ritorn tajjeb fuq l-investimenti tal-azzjonisti tal-Ajruport Internazzjonali ta' Malta.



NIKOLAUS GRETZMACHER
CHAIRMAN

CEO'S REVIEW

2018 WAS A SUCCESSFUL YEAR FOR MALTA INTERNATIONAL AIRPORT, DURING WHICH FURTHER GROWTH WAS ACHIEVED AND A NUMBER OF LARGE-SCALE PROJECTS WERE SET IN MOTION. IN PARALLEL WITH SUBSTANTIAL INVESTMENTS BEING MADE IN THE INFRASTRUCTURE AND LAYING THE GROUNDWORK FOR FUTURE TERMINAL IMPROVEMENTS, PASSENGER TRAFFIC THROUGH THE AIRPORT REACHED AN ALL-TIME HIGH. THE CONTRIBUTIONS OF EACH MEMBER OF THE AIRPORT TEAM WERE CRITICAL TO THE SUCCESS REGISTERED BY THE COMPANY DURING THIS PAST YEAR, ESPECIALLY IN THE ACHIEVEMENT OF THE COVETED BEST AIRPORT IN EUROPE AWARD.

Traffic continued its upward trend, reaching an unprecedented 6,808,177 passenger movements by the end of 2018. This extraordinary 13.2% rise in passenger numbers led the Company to deliver its ninth consecutive year of growth. Our efforts to promote the Maltese Islands as a year-round destination continued to bear fruit, with the shoulder and winter months outpacing the peak summer period in terms of growth for the fifth year running. These results are a shared success, ensuing from the collaborative efforts between Malta International Airport and government on a strategy to address seasonality and enhance the Islands' connectivity.

Together with the main tourism stakeholders and partner airlines, we worked on expanding the airport's route network throughout the year and succeeded in creating a direct link between the Maltese Islands and over 100 destinations. In 2018, the airport's already extensive route network was markedly enhanced by 28 new developments, perhaps one of the most noteworthy being the re-introduction of connections to Portugal after a 10-year hiatus, as part of a joint strategic vision to secure further traffic from the Iberian Peninsula.

Having just launched a new summer schedule for 2019, we shall now soon welcome Qatar Airways, which will join over 30 airlines already serving our airport. This development, together with the introduction of a number of new routes and better frequencies, will certainly contribute to another year of positive traffic results.

> WHILE TRAFFIC THROUGH OUR AIRPORT IS FORECAST TO GROW BY APPROXIMATELY 6%, OUR COMMITMENT TO PROVIDING A SUPERIOR GUEST EXPERIENCE WILL REMAIN UNCHANGED.

Our pledge to ensure that each one of our guests enjoys a journey that is as delightful as it is safe, is reflected in the results we achieve in the Airports Council International's Airport Service Quality (ASQ) survey year on year. In 2018, our vision of providing the best airport experience in Europe materialised when we were awarded the Best Airport in Europe award in our size category by ACI. We clinched this title with our highest

overall passenger satisfaction score yet, and excellent scores on performance indicators such as courtesy of staff and terminal ambiance. While we are extremely proud of this achievement, we shall not be resting on our laurels, but rather using this prestigious accolade as a reminder that great things are achieved when people work together relentlessly towards a shared vision.

The airport's La Valette lounges also registered a marked improvement in their ASQ score over 2017. Last year, our VIP offering was broadened through the introduction of a third membership tier; The Traveller, giving more travellers access to the luxurious La Valette lounges. This development coupled with the opening of a high-fashion outlet at Departures and a complete overhaul of the airport's duty free store, drove revenues from our retail and property segment up by 14.5%, auguring well for our revenue diversification strategy.

Another important project within this segment, which commenced in the last quarter of 2018, is the ongoing construction of a 20-million-euro parking village, which will provide 1,300 covered parking spaces on the airport campus and a direct link from this area to the terminal, thereby contributing to a more seamless passenger experience. Moreover, the Company envisages to start works on the SkyParks 2 development, subject to Board approval. This multi-purpose building will continue to establish the airport campus as a hub of business activity with over 22,000 square metres of office and commercial space and the first business hotel in the area.

2018 was a crucial year for the progression, and eventual completion in the first quarter of 2019, of our 12-million-euro Terminal Reconfiguration Project, which has better poised the airport to cater to the changing needs of an increasing number of guests. Placing innovation at the heart of this development, we have equipped the terminal with an end-to-end baggage tracking system, and have also installed eight additional check-in desks, which allow us to manage the flow of passengers through the check-in hall more efficiently. The Company's focus will now shift on expanding the terminal building and developing a new multi-million-euro parking stand – Apron X – which will furnish us with aircraft capacity stability for the medium to long term.

Accomplishments achieved during the year under review have allowed us to cement our role as an important driver of Malta's economic growth. While looking back and taking stock of our achievements ensures that we start every year on solid footing, it is through planning for the future that we can look ahead towards more ambitious accomplishments. As a Company we shall continue aligning our efforts to our strategic vision so as to sustain a profitable business model. In turn, this will enable us to honour both our immediate and long-term commitments towards our employees and stakeholders, as well as generate positive returns on shareholders' investments for the foreseeable future.

ALAN BORG
CEO

RENDIKONT TAL-KAP EŻEKUTTIV

IS-SENA 2018 KIENET SENA TA' SUĊĊESSI VARJI GĦALL-AJRUPORT INTERNAZZJONALI TA' MALTA, LI MATULHA RAJNA TKABBIR SOSTANZJALI U T-TNEDIJA TA' PROĠETTI LI SE JKOMPLU JMEXXUNA 'L QUDDIEM GĦAT-TUL. KOMPLEJNA NINVESTU FL-INFRASTRUTTURA TAL-AJRUPORT U BDEJNA NĦEJJU RUĦNA GĦAL PROĠETTI TA' TITJIB LI MISTENNIJA JITNEDEW FIS-SNIN LI ĠEJJIN, FILWAQT LI RAJNA GĦADD BLA PREĊEDENT TA' PASSIĠĠIERI JIVVJAĠĠAW MILL-AJRUPORT TAGĦNA. IL-KONTRIBUT TA' KULL MEMBRU TAT-TIM TAGĦNA KIEN KRUĊJALI GĦAS-SUĊĊESS IRREĠISTRAT MILL-KUMPANIJA MATUL IS-SENA LI GĦADDIET, U KIENET DIN L-ISTESS ĦIDMA LI WASSLITNA BIEX NIKSBU L-PREMJU FERM PRESTIĠJUŻ TAL-AQWA AJRUPORT FL-EWROPA.

It-traffiku tal-Ajruport Internazzjonali ta' Malta baqa' jissaħħaħ sakemm laħaq iċ-ċifra storika ta' 6,808,177 moviment tal-passiġġieri fi tmiem is-sena 2018. Dan it-tkabbir qawwi ta' 13.2% fil-movimenti tal-passiġġieri wassal lill-Kumpanija biex tirreġistra tkabbir għad-disa' sena konsekuttiva. L-isforzi tagħna biex nippromwovu lill-Gżejjer Maltin bħala destinazzjoni li tista' tgawdiha fi kwalunkwe żmien tas-sena komplew jagħtu l-frott, hekk kif ir-rata ta' tkabbir tax-xhur tax-xitwa għaddiet dik tal-istaġun tas-sajf għall-ħames sena infila. Is-suċċess li ksibna rriżulta mill-ħidma sfiqa u l-kollaborazzjoni bejn l-Ajruport Internazzjonali ta' Malta u l-gvern, fuq strateġija mfassla bl-għan li tindirizza l-istaġjonalità filwaqt li tkompli ttejjeb il-konnettività tal-Gżejjer.

Matul is-sena li għaddiet, komplejna naħdmu mal-partijiet interessati ewlenin fl-industrija tat-turiżmu u l-linji tal-ajru msieħba tagħna sabiex inkabbru n-netwerk tar-rotot tal-ajruport, li rriżulta fil-ħolqien ta' rotot diretti bejn il-Gżejjer Maltin u iktar minn 100 destinazzjoni. 28 żvilupp ġdid introdotti fl-2018 komplew itejbu l-konnettività estensiva tal-ajruport. Fost l-iktar żviluppi notevoli, fl-isfond ta' viżjoni strateġika konġunta li nkabbru t-traffiku mill-Peniżola Iberika, kellna l-introduzzjoni mill-ġdid ta' rotot diretti lejn il-Portugall wara nuqqas ta' 10 snin.

Issa li nedejna skeda ġdida għall-istaġun tas-sajf tal-2019, il-pass li jmiss se jkun li fil-ġimgħat li ġejjin nilqgħu fostna lil Qatar Airways, li se tkun qed tissieħeb ma' iktar minn 30 kumpanija tal-ajru li joperaw minn u lejn l-ajruport tagħna. Dan l-iżvilupp importanti, flimkien mal-introduzzjoni ta' għadd ta' rotot ġodda jew iktar frekwenti, bla dubju se jikkontribwixxi għal sena oħra ta' riżulati pożittivi fil-qasam tat-traffiku.

FILWAQT LI T-TRAFFIKU TAL-AJRUPORT TAGĦNA HUWA MBASSAR LI JIKBER B'MADWAR 6%, L-IMPENN TAGĦNA LI NIPPROVDU SERVIZZ EĊĊELLENTI LILL-PASSIĠĠIERI TAGĦNA MHUX SER JONQOS.

Flimkien qed nibqgħu nagħmlu l-almu tagħna biex naċċertaw li kull passiġġier mhux biss igawdi l-vjaġġ tiegħu iżda li jħossu sigur ukoll, u din il-ħidma qed tkompli tiġi rikonoxxuta fir-riżultati li niksbu fl-istħarriġ dwar il-Kwalità tas-Servizz fl-Ajruporti ta' ACI sena wara sena.

Fl-2018, il-viżjoni tagħna li nwasslu l-aqwa servizz fost il-bqija tal-ajruporti Ewropej intlaħqet meta ġejna ppremjati minn ACI bl-unur tal-Aqwa Ajruport fl-Ewropa fil-kategorija tagħna. Kien bis-saħħa tal-ogħla punteġġ ta' sodisfazzjon tal-passiġġieri li qatt irċevejna, kif ukoll ta' riżultati eċċellenti fil-konfront ta' indikaturi tal-prestazzjoni, fosthom il-kortesija tal-impjegati u l-ambjent fil-bini tal-ajruport, li wara snin ta' ħidma rnexxielna niksbu dan it-titlu. Filwaqt li nħossuna tassew kburin li wasalna sa dan il-punt, nafu li l-ħidma tagħna ma tintemmx hawnhekk. Dan il-premju prestiġjuż għandu jservi biex ifakkarna li l-aqwa riżultati jinkisbu meta individwi jingħaqdu flimkien u jistinkaw biex jilħqu l-mira tagħhom.

Is-swali La Valette fi ħdan l-ajruport ukoll irreġistraw titjib notevoli fuq il-puteġġ miksub fl-istess stħarriġ fl-2017. Is-sena li għaddiet, il-prodott VIP tal-ajruport kompla jittejjeb permezz tal-introduzzjoni tat-tielet għażla ta' sħubija; is-sħubija Traveller, li għamlet is-swali lussużi ta' La Valette aċċessibbli għal iktar passiġġieri. Dan l-iżvilupp ikkumplementa l-ftuħ kemm ta' ħanut ġdid fiż-Żona tat-Tluq li joffri prodotti tal-aħħar moda mill-iktar ditti magħrufin kif ukoll tal-ħanut mingħajr dazju tal-ajruport li ngħata dehra ġdida matul din l-aħħar sena. Flimkien, dawn l-iżviluppi wasslu biex is-segment tal-bejgħ u l-proprjetà żied il-qligħ tiegħu b'14.5%; riżultat li jawgura tajjeb għall-istrateġija tal-Kumpanija ta' diversifikazzjoni fid-dħul.

Proġett importanti ieħor, li jaqa' taħt dan is-segment, u li ngħata bidu lejn l-aħħar kwart tal-2018, kien il-bini ta' kumpless ta' parkeġġ ġdid, li fih il-Kumpanija mistennija tinvesti mal-20 miljun ewro. Dan il-parkeġġ mgħotti, li se jakkomoda 1,300 vettura sas-sena 2020, se jingħaqad mal-binja prinċipali tal-ajruport permezz ta' passaġġ, bl-għan li jiffaċilita l-vjaġġ tal-passiġġier minn u lejn it-terminal. Minbarra dan, il-Kumpanija issa qed tħejji ruħha biex tibda x-xogħlijiet fuq proġett ieħor, SkyParks 2, ladarba l-pjanijiet għal dan l-iżvilupp jiġu approvati mill-Bord. It-tieni binja ta' SkyParks se tkompli tistabbilixxi l-kampus tal-ajruport bħala ċentru ta' attività kummerċjali, b'iktar minn 22,000 metru kwadru għal uffiċini u spazji kummerċjali kif ukoll l-ewwel lukanda fil-viċinat tal-ajruport immirata lejn passiġġieri li jkunu qed jivvjaġġaw fuq xogħol.

L-2018 kienet sena kruċjali għall-progress fix-xogħlijiet bħala parti mill-proġett ta' 12-il miljun ewro tar-Rikonfigurazzjoni tat-Terminal, li tlesta fl-ewwel kwart tal-2019, u li għammar lill-ajruport bl-għodda essenzjali meħtieġa biex ikun jista' jindirizza l-bżonnijiet ta' numru dejjem jikber ta' passiġġieri b'mod iktar effettiv. Żammejna l-innovazzjoni fil-qalba tal-ħidma tagħna f'dan l-iżvilupp, billi introduċejna sistema ġdida ta' traċċar tal-bagalji u installajna tmien check-in desks ġodda fis-Sala taċ-Check-In, li qed jgħinuna niġġestixxu aħjar il-fluss tal-passiġġieri f'din iż-żona. Fis-snin li ġejjin, il-Kumpanija se tkun qed tiffoka fuq l-espansjoni tal-binja tat-terminal u l-iżvilupp ta' parkeġġ ġdid għall-ajruplani – Apron X – li għandu jgħin lill-Ajruport Internazzjonali ta' Malta jżid l-ispazji disponibbli għall-parkeġġ tal-ajruplani għal tul ta' żmien medju sa twil.

Il-kisbiet li wettaqna matul is-sena li għaddiet għenuna nkomplu nistabbilixxu lill-Ajruport Internazzjonali ta' Malta bħala kontributur importanti għat-tkabbir ekonomiku ta' Malta. Filwaqt li huwa importanti li nħarsu lura lejn din is-sena ta' suċċess sabiex nagħrfu sa fejn irnexxielna naslu, huwa daqstant importanti li nħarsu 'l quddiem biex nistabbilixxu fejn irridu naslu, filwaqt li nżommu l-miri ambizzjużi tagħna quddiem għajnejna. Bħala Kumpanija se nkomplu naħdmu f'konformità mal-viżjoni strateġika tagħna bl-għan li l-mudell kummerċjali tagħna jkompli jrendi l-qligħ. Dan il-pjan ta' azzjoni għandu jippermettilna li nonoraw l-impenji immedjati, kif ukoll dawk fit-tul, lejn l-impjegati u l-partijiet interessati tagħna, filwaqt li nkomplu nagħtu redditu pożittiv fuq l-investimenti tal-azzjonisti tagħna fis-snin li ġejjin.

ALAN BORG
KAP EŻEKUTTIV

While looking back and taking stock of our achievements ensures that we start every year on solid footing, it is through planning for the future that we can look ahead towards more ambitious accomplishments.

Filwaqt li huwa importanti li nħarsu lura lejn din is-sena ta' suċċess sabiex nagħrfu sa fejn irnexxielna naslu, huwa daqstant importanti li nħarsu 'l quddiem biex nistabbilixxu fejn irridu naslu, filwaqt li nżommu l-miri ambizzjużi tagħna quddiem għajnejna.

CORPORATE GOVERNANCE

MALTA INTERNATIONAL AIRPORT PLC'S CORPORATE GOVERNANCE STRUCTURES ARE DESIGNED TO ENSURE THAT SUITABLE AND APPROPRIATE CHECKS AND BALANCES ARE IN PLACE.

The Board is composed of a maximum of five Non-Executive Directors and three Executive Directors. This balance is entrenched in the Company's Memorandum and Articles, which require that the Chief Executive Officer is an ex ufficio director, and allow for two other senior Company Executives to sit on the Board.

The Board assigns specific responsibilities to a number of committees, notably the Executive Committee – headed by the Chief Executive Officer – and the Audit Committee, each of which operates under formal terms of reference. During the period under review, the Board of Directors met six times.

The members of the Board of Directors for the year under review were:

Mr Nikolaus Gretzmacher
CHAIRMAN

Mr Alan Borg
CHIEF EXECUTIVE OFFICER

Mr Karl Dandler
CHIEF FINANCIAL OFFICER

Ms Rita Heiss
NON-EXECUTIVE DIRECTOR

Dr Cory Greenland
NON-EXECUTIVE DIRECTOR

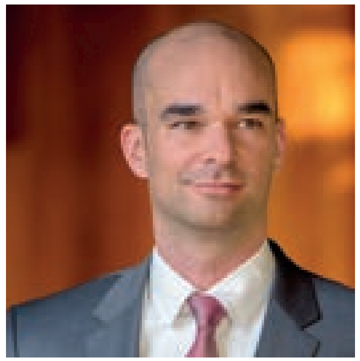
Dr Wolfgang Koeberl
NON-EXECUTIVE DIRECTOR

Mr Florian Nowotny
NON-EXECUTIVE DIRECTOR

The Audit Committee is composed of three Non-Executive Company Directors. Its role is to monitor internal systems and related costs. During the period under review, it met seven times.

The Chief Executive Officer is accountable to the Company's Board of Directors for all business operations.





Mr Nikolaus Gretzmacher, Mr Alan Borg
Mr Karl Dandler, Ms Rita Heiss, Dr Cory Greenland
Dr Wolfgang Koeberl, Mr Florian Nowotny, Dr Louis de Gabriele (Company Secretary)

EXECUTIVE COMMITTEE

THE EXECUTIVE COMMITTEE IS MADE UP OF THE CHIEF EXECUTIVE OFFICER (WHO HEADS THE COMMITTEE), THE CHIEF FINANCIAL OFFICER, AND THE HEADS OF EVERY DEPARTMENT. ON AVERAGE, THE EXECUTIVE COMMITTEE MEETS THRICE MONTHLY.

The Heads of Department sitting on the Executive Committee are:

Ing. Martin Dalmas
AIRPORT OPERATIONS

Mr Patrick Murgo
SECURITY SERVICES

Mr George Mallia
RETAIL & PROPERTY

Mr Ian Maggi
INNOVATION & TECHNOLOGY

Ms Tina Lombardi
HR & STRATEGY

Ing. Kevin Alamango
TECHNICAL SERVICES

Mr Thomas Wohlfahrtstätter
FINANCIAL CONTROL, RISK & COMPLIANCE

Mr Alex Cardona
CUSTOMER SERVICES & TRAFFIC DEVELOPMENT








Ing. Martin Dalmas, Mr Patrick Murgo, Mr George Mallia
Mr Ian Maggi, Ms Tina Lombardi
Ing. Kevin Alamango, Mr Thomas Wohlfahrtstätter, Mr Alex Cardona

OUR STRATEGY

AIRPORT GUEST

"I HAVE USED MALTA INTERNATIONAL AIRPORT SEVERAL TIMES IN THE PAST 25 YEARS, AND IT HAS CERTAINLY IMPROVED. I STILL ENJOY STEPPING ONTO THE TARMAC IN MALTA. KEEP UP THE IMPROVEMENTS!"

OUR COMPANY STRATEGY

THE MISSION, VISION, AND VALUES FORM THE BACKBONE OF OUR STRATEGY, WHICH HAS BEEN SUMMARISED TO ENSURE THAT ALL THE TEAM CLEARLY UNDERSTANDS THE COMPANY'S GOALS AND PRIORITIES.

DURING THE YEAR UNDER REVIEW, THE COMPANY CONTINUED TO WORK TOWARDS REALISING ITS VISION; ALL THE WHILE ALLOWING ITS CORE VALUES TO GUIDE ITS DAY-TO-DAY OPERATIONS AND DECISIONS.

MISSION

Our mission is to operate Malta's airport in a sustainable manner, provide an enjoyable visitor experience and deliver value to our stakeholders.

VISION

Our vision is to offer the best airport experience in Europe that consistently seeks to delight our guests.

INTEGRITY

We embrace the highest standards of integrity in all our actions particularly honesty and commitment.

SUSTAINABILITY

We cherish sustainable strategies that balance the interests of the community on which we have an impact, the environment and our economic performance over the long term.

TEAMWORK

We seek to build the success of this Company on the teamwork of our people and collaboration with our airport and tourism partners in order to satisfy the needs of our guests.

SERVICE EXCELLENCE

We want our people to provide excellent service to each and every guest. We aim to be caring and meticulous in everything we do and continually seek to exceed our visitors' expectations.

STRATEGY

TO OFFER OUR GUESTS A VALUABLE AND UNIQUE EXPERIENCE. WE BELIEVE THAT BY DELIGHTING OUR GUESTS AND MAKING THEIR VISIT TO THE AIRPORT A MEMORABLE EXPERIENCE, THEY ARE MORE LIKELY TO BECOME LOYAL CUSTOMERS AND PROMOTERS OF OUR BRAND.

To continually invest in a well-designed, safe and efficient airport which meets and exceeds the needs and expectations of our customers.

In addition, and by way of diversifying our business model from our core aviation business, the Company is to continue investing in its retail and property segment, capitalising on the SkyParks Business Centre brand, and making our landside investment one of Malta's top destinations.

Therefore, our twin strategy of constantly enhancing the visitor experience and diversifying our business model is how we, as a Company, can achieve sustainable growth and at the same time deliver attractive shareholder returns.

Finally, we consider the investment in our people and their talents as fundamental to reaching our strategic objectives. The latter, together with our pursuit of constant innovation from our internal modus operandi to our business model and strategy, is the ultimate way in which we can compete and remain market leaders.

OUR EMPLOYEES

AIRPORT GUEST

"TRAVELLING WITH A CHILD ON THE ASD SPECTRUM IS THE MOST STRESSFUL THING, BUT TODAY THE STAFF WE MET THROUGH MALTA INTERNATIONAL AIRPORT MADE IT THE MOST STRESS-FREE EXPERIENCE WE COULD HAVE POSSIBLY HOPED FOR."

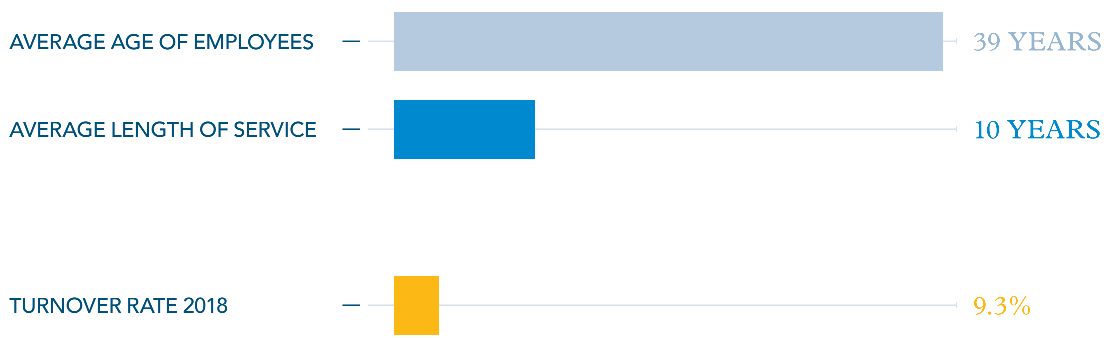
OUR EMPLOYEES

MALTA INTERNATIONAL AIRPORT RECOGNISES THAT ITS WORKFORCE IS ITS STRONGEST ASSET AND THAT THE GOALS ACHIEVED IN THE YEAR UNDER REVIEW WERE THE RESULT OF THE HARD WORK AND DEDICATION SHOWN BY EACH MEMBER OF THE AIRPORT TEAM.

2018 saw the Malta International Airport team grow by 15%, translating into the biggest increase in human resources in recent years. This led employee headcount to rise to 357 from 311 as at the end of December 2017. Moreover, a turnover rate of 9.3% was registered, indicating that the Company was successful in maintaining healthy employee retention levels, especially when compared to industry benchmarks.

15%

GROWTH IN THE **MALTA INTERNATIONAL AIRPORT TEAM**



COLLECTIVE AGREEMENT

A NEW COLLECTIVE AGREEMENT, COVERING THE PERIOD FROM THE 1ST JANUARY 2018 TO THE 31ST DECEMBER 2022, WAS REACHED BETWEEN MALTA INTERNATIONAL AIRPORT AND THE TWO UNIONS SHARING JOINT REPRESENTATION OF ITS EMPLOYEES, UĦM AND GWU.

The new agreement provides more flexibility to the ever-increasing operational demands the airport is facing through the introduction of new shift timings. Furthermore, the Company's employees have been granted improved salary packages, which include annual salary increases until 2022, as well as the introduction of a performance bonus system which is linked to the Company's strategic objectives.

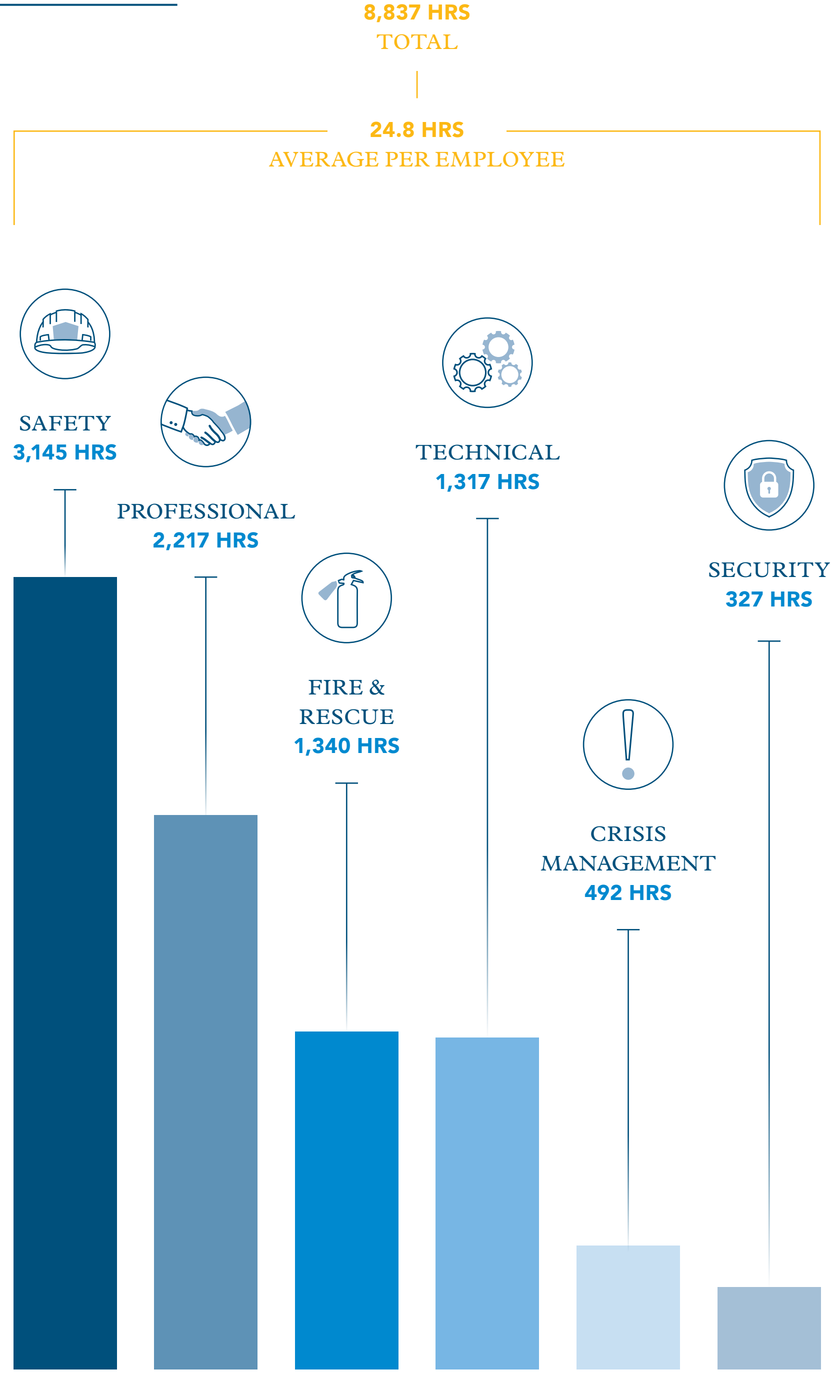
TRAINING & DEVELOPMENT

MALTA INTERNATIONAL AIRPORT IS COMMITTED TO CREATING NEW OPPORTUNITIES FOR MEMBERS OF ITS WORKFORCE TO EXPAND THEIR KNOWLEDGE BASE AND BUILD ON THEIR SKILL SET. FOR THIS REASON, THE COMPANY CONTINUED TO INVEST IN TAILORED TRAINING SESSIONS AIMED AT HONING EXISTING SKILLS AND UNLOCKING UNTAPPED POTENTIAL, IN AN EFFORT TO MAKE THE COMPANY'S DIVERSE, TALENTED TEAM EVEN STRONGER.

During 2018, the airport team collectively benefitted from a total of 8,837 hours of formal training, amounting to an average of around 24.8 hours of training per employee. This figure excludes 640 hours of classroom-based training which was provided to new Customer Services employees, as well as 192 hours of induction and on-the-job training provided to recruits. In line with its commitment to ensuring the highest standards of operational and occupational health and safety, the Company provided and supported more than 3,000 hours of training related to safety.

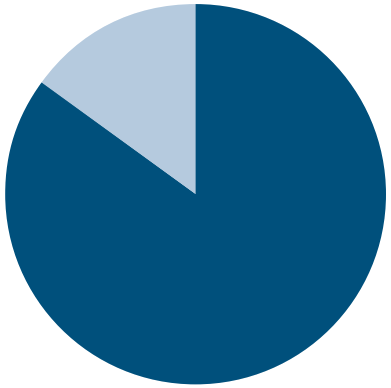
Upon completing training, employees were invited to submit their feedback through an internal feedback system. The feedback received was particularly encouraging, given that an average of 88% of employees felt satisfied with the learning outcomes and found the content provided to be both informative and useful.

TRAINING HOURS



THE EMPLOYEE SURVEY & WELLBEING INITIATIVES

WITH EMPLOYEE SENTIMENT BEING OF PARAMOUNT IMPORTANCE TO THE COMPANY, MALTA INTERNATIONAL AIRPORT INVITES ITS EMPLOYEES TO SHARE THEIR FEEDBACK ON THEIR PROFESSIONAL DUTIES, THEIR WORKPLACE AND THE MANAGEMENT OF THE COMPANY IN THE ANNUAL EMPLOYEE SURVEY.



85%

OF 2018'S RESPONDENTS WOULD **RECOMMEND MIA AS A GOOD EMPLOYER**

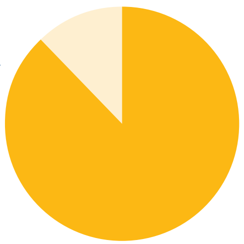
Out of the 253 total respondents, 88% agreed that performing their work duties gave them a genuine sense of achievement, while 85% said they would recommend Malta International Airport as a good employer. The areas which registered the most significant improvement in 2018 were communication with employees, support of professional development and employee wellbeing.

In an employment landscape where potential candidates look beyond attractive remuneration, the Company retained its competitive edge as an employer by focusing on wellbeing initiatives, primarily aimed at enabling the team to strike a healthy work-life balance. In fact, employees' satisfaction with the wellbeing initiatives undertaken by the Company has been increasing steadily since the launch of The Wellbeing Programme in 2017.

In 2018, the Company widened the scope of this programme by including free mental health services, provided by the Richmond Foundation, as one of the benefits. In addition to this, and to further safeguard employees' welfare, a wellbeing allowance was introduced as part of the new Collective Agreement.

88%

AGREED THAT PERFORMING THEIR WORK DUTIES GAVE THEM **A GENUINE SENSE OF ACHIEVEMENT**



AIRPORT OPERATIONS

AIRPORT GUEST

“LOVE MALTA INTERNATIONAL AIRPORT; IT’S SMALL, COMPACT AND WELCOMING. MUCH LESS HASSLE THAN BIGGER AIRPORTS, AND BETTER EQUIPPED AND ORGANISED THAN AIRPORTS OF THE SAME SIZE I HAVE VISITED.”

AIRPORT OPERATIONS

CUSTOMER SERVICES

2018 was another record-breaking year for Malta International Airport in terms of passenger traffic. While it was encouraging to see passenger numbers continue to grow steadily throughout the year, the Company retained its focus on providing a safe and seamless journey for each one of its guests, particularly through its frontliners. Malta International Airport's Customer Services team consistently delivered nothing short of an excellent service to airport guests, even during the busiest periods. Between April and October 2018, the Cruise and Fly operation, which contributed circa 120,000 passenger movements to the year's total traffic, accounted for particularly hectic days, which saw all airport employees rise to the occasion and exceed guests' expectations.

The commendable work carried by the team on the ground, did not go unnoticed by guests who travelled through Malta International Airport in 2018. In fact, the airport was awarded Airports Council International's prestigious Best Airport in Europe title, following the rating of 34 performance indicators by more than 1,400 passengers flying out of the airport in the year under review.

The launch of the Journey Facilitation Programme, aimed at easing the journey through the terminal for passengers within the autism spectrum was another noteworthy achievement for the airport in 2018. Between the roll-out date of the initiative in April and December 2018, the Customer Services team was crucial in providing facilitation services to 183 passengers, including additional help, a fast-track through security screening and access to the airport's designated quiet rooms.

NEW GROUND HANDLING CONCESSION AGREEMENTS

In addition to its team, Malta International Airport relies on a number of stakeholders to be able to give a stellar service to guests. To ensure that every step of the passenger journey is taken care of by seasoned professionals, Malta International Airport signed new concession agreements for ground handling services with Air Malta and Aviaserve. For the coming seven years, both ground handling agents will be responsible for processing passengers and their belongings from check-in through to boarding.

The renewed agreement binds the two handlers to more stringent safety and quality management processes, guaranteeing that neither safety nor security measures are overlooked while either company is providing its services to the airport. Both ground handling companies are also obliged to adhere to a seven-year equipment investment programme, the aim of which is to ensure that both of them continue to evolve with the Company in an environment characterised by constant change and growth.

AERODROME OPERATIONS

Since the awarding of an Aerodrome Operating Certificate by Transport Malta in 2017, Malta International Airport has been subjected to continuous auditing by the Civil Aviation Directorate. These audits ensure that the airport is maintaining the necessary standards as stipulated in the European Aviation Safety Agency's regulations relating to aerodrome operations.

EMERGENCY PREPAREDNESS

In an endeavour to ensure that airport employees are well-trained and well-prepared for the eventuality of an aircraft accident, a full-scale emergency exercise was carried out at Malta International Airport in 2018. The exercise enabled both employees and key stakeholders, including the Armed Forces of Malta and the Civil Protection Department, to test out the airport's updated Emergency Response Plan, which was recently revised to conform to the European Aviation Safety Agency's regulations. Such training also enables the Company and its key stakeholders to identify any opportunities to improve the effectiveness and efficiency of their joint response to an accident or a rescue mission.

AIRFIELD INVESTMENTS

The Company continued to invest in the development of the island's airfield infrastructure throughout the year under review, with rehabilitation works on Taxiway Delta, which serves Apron 9, being completed towards the beginning of 2018. In addition to this, the Company put €2.6 million towards pavement surface rehabilitation works on Apron 8 and maintenance works on Taxiway Echo, in an effort to boost the airport's safety and efficiency standards.

The rehabilitation of Apron 8, which commenced last November, and is set to be completed by the end of 2019, will be carried out in phases so as to limit any disruption to airport operations. Works on Taxiway Echo, which is one of four taxiways linking the airport's main runway to Apron 9, are expected to be completed by the end of the first quarter of 2019.

METEOROLOGICAL SERVICES

The services provided by Malta International Airport's Meteorological Office are used widely by aircraft flying within the Malta Flight Information Region as well as other entities or individuals requiring meteorological information for their day-to-day operations.

With innovation being an integral part of the airport's strategy, the Company upgraded the meteorological services it provides in 2018. During the year under review, the Company started laying the groundwork for the implementation of a new Automated Weather Observation System (AWOS), which will be replacing the current one being used by the Meteorological Office over the coming months.

Part of the preparations included the extension of the airport's Runway Management Tool, which allows the accurate monitoring, assessment and reporting on the runway's surface conditions in wet weather. While weather conditions are forecast using the integrated model and radar system, water film height sensors, which are being installed in phases and are set to be in place by the second quarter of 2019, provide accurate information on the conditions of each runway.

INNOVATION

Malta International Airport made significant strides in increasing the efficiency of its operations in 2018. The Company's shift towards a new state-of-the-art Airport Management System is expected to facilitate the management of airport operations through the automation of numerous important processes including resource management.

In preparation for the implementation of the Airport Management System, all Flight Information Display Screens were replaced, enabling passengers to obtain real-time, accurate flight-related data with greater ease.

Committed to investing in a well-designed terminal, the airport commissioned an additional eight desks within the Check-In Hall, and also worked on installing the new Baggage Reconciliation system during the year under review. The new system is expected to be rolled out towards the end of the first quarter of 2019, in conformity with the International Air Transport Association's Resolution 753 concerning baggage tracking, which came into effect in June 2018.

Through this system, any luggage dropped off at Malta International Airport will need to be tagged with a location and time stamp going forward. Such tagging will enable both ground handlers and airlines to monitor the acquisition, transfers and delivery of every piece of luggage, preventing the loss of passenger belongings during transit. By enabling stakeholders to provide correct and detailed information to passengers regarding the status of their luggage, the system will consequently improve the experience of guests passing through Malta International Airport.

SAFETY & SECURITY

RESCUE AND FIREFIGHTING SERVICES

2018 saw six new firefighters joining Malta International Airport's firefighting team which, along with the airport's Rescue and Firefighting Services infrastructure, permits the airport to maintain a rescue and fire protection capability equivalent to International Civil Aviation Organisation Category 9.

The safety of both guests and employees remains the topmost priority for Malta International Airport. For this reason, the Company continued to invest in different training initiatives aimed at boosting the competency levels of firefighters stationed at Malta International Airport. These initiatives included the organisation of two live fire exercise programmes, which provided the Rescue and Firefighting team with practical training opportunities. Moreover, 2018 saw the setting up of a physical fitness training programme, with two members of the Rescue and Firefighting team being appointed to oversee its execution.

In complementing this investment in its human resources, the Company will be undertaking a multi-million-euro investment in three top-quality fire engines over the short term, after having invested 50,000 euro in protective gear and state-of-the-art garments, during the year under review.

Constant growth in passenger numbers translates into an increased responsibility on the Company's end to safeguard the terminal and all its guests. The Rescue and Firefighting Services team remains committed to not only ensuring the safety of passengers, but also to bring an emergency situation under control as quickly as possible, causing minimal disruption to all guests and guaranteeing business continuity. This was the case when a fault in an aquarium pump caused a small fire to break out in the Arrivals Concourse in February. The team took immediate action and worked together with Civil Protection personnel to evacuate the premises, extinguish the fire and activate the airport's recovery plan as swiftly as possible, limiting any disruption to flights and airport operations.

HEALTH AND SAFETY

Committed to ensuring the highest levels of health and safety within the terminal, an additional 16 Automated External Defibrillators (AED) were installed at Malta International Airport during the year under review. Every AED can be used by trained members of staff as well as airport guests to respond to medical emergencies as quickly as possible. The contents of all First Aid kits around the terminal have also been replaced with supplies of higher quality, and additional kits are being stored at the airport to assist any person in need of immediate treatment for illness or injury. In addition to this, in 2018, a paramedic team was stationed at the terminal on the airport's busiest travel days, to provide further support.

In the year under review, the Occupational Health and Safety Committee was established. Following an internal election, six Workers' Health and Safety Representatives were chosen to sit on this committee to better represent employees. All representatives received extensive training, including First Aid training, delivered by the Occupational Health and Safety Authority.

SECURITY EQUIPMENT

During the year under review, the Company invested heavily in more sensitive screening equipment, supporting and enabling secure airport operations. A €3.3 million investment is earmarked for the installation of a new Explosive Detection System as well as new Hold-Baggage Screening equipment within the terminal which, under the new IATA Regulation 753, are required to be implemented by 2020. Moreover, reconfiguration works on conveyor belts commenced in 2018, enabling the Company to upgrade all X-ray machines to Standard 3 machines by the first quarter of 2019.

LANDSIDE SECURITY

To complement its investment in additional security equipment, the Company is also continuously investing in airport employees. Given that terminal team members are the first to respond to emergencies, new security training programmes were mapped out in 2018 to provide all stakeholders working within the airport's landside area and all incoming employees with the skills they would need to protect the area to the best of their ability in case of emergencies. These upgraded security training courses will be offered in 2019.

During the year under review, additional security patrols were also carried out regularly by qualified airport personnel to ensure that no security or fire risks around the terminal were overlooked. To this end, a Fire Detection and Building Management System, which is currently in its early stages of installation, will be set up within the terminal building.

CYBERSECURITY

Cyberattacks continue to be costly for businesses and industries, which is why Malta International Airport worked on boosting its cybersecurity in 2018. The Company continued to build on the foundations laid the previous year as part of a more robust three-year cybersecurity programme, designed primarily to raise awareness among airport employees about malware, phishing and other potential data theft risks. The ICT Department has played a crucial role in bolstering the airport's IT infrastructure, policies and procedures, ensuring that the Company's electronic assets and data are protected against any form of cyberattack.

RISK MANAGEMENT AND BUSINESS CONTINUITY

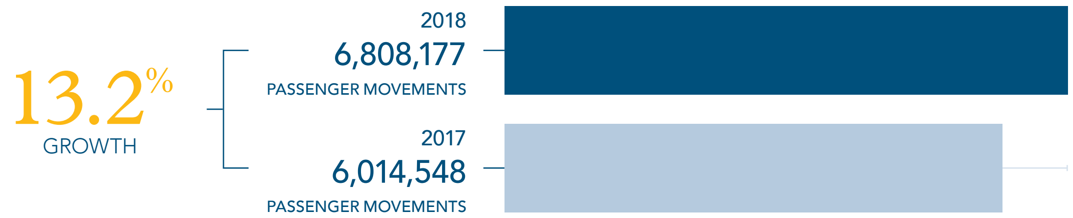
Growing corporations operating under conditions of constant change face increasingly complex and wide-ranging risks. For this reason, Malta International Airport has a Risk Management Framework in place, allowing every one of its departments to analyse existent as well as potential risk exposure, and attempt to minimise it. The framework, includes amongst others, the Company's Risk Management Policy and Procedures, which are revised on a regular basis to ascertain that any risks which may hinder the Company from reaching its objectives are controlled, therefore protecting the assets and interests of the Company and its shareholders' investments. The Company's central body for risk identification and control is the Risk Management Committee, which is also entrusted with formulating, assessing and reviewing the airport's Risk Management Framework. During the year under review, the Committee enhanced the Company's risk management procedures, reviewed and improved the quality of the Company's risk register, introduced new and improved risk reporting, and also worked on devising further action plans to mitigate the key risks faced by every one of Malta International Airport's departments.

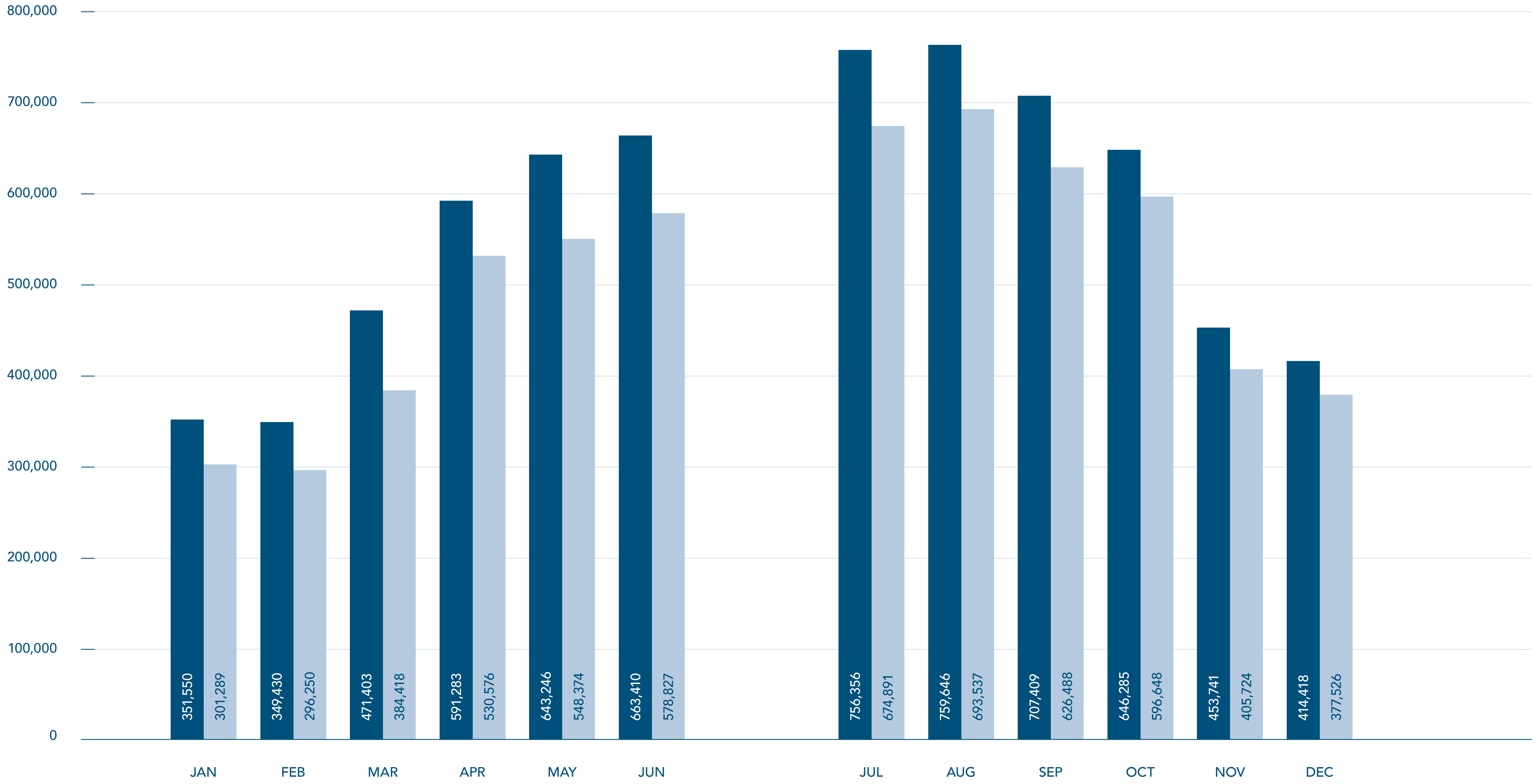
Moreover, in a bid to ensure that Malta's only aerodrome is prepared for any eventuality, the Operations Department prioritised the development of a Business Continuity Management System during the year under review. Such a system will not only help the Company anticipate and overcome disruptive events but, more importantly, it will also ensure that the aerodrome continues to operate, at least at a minimal level, should such circumstances materialise. As part of the development process, the Operations Department has also been updating the Business Continuity Risk Register, which strengthens the Company's ability to identify and manage inherent risks.

GDPR

In line with its commitment to protect the data of its shareholders, stakeholders, guests, and employees, as well as to safeguard the Company's data, Malta International Airport has introduced a set of new policies and procedures to ensure compliance with the European Union's General Data Protection Regulation (GDPR), which entered into force in all member states in May 2018. The Company appointed Mr Thomas Wohlfahrtstätter as its Data Protection Officer, who contributes to the mapping of Malta International Airport's data protection strategy and ensuring that national and international laws and agreements related to data protection are adhered to. In line with the requirements of the GDPR, the Company publishes privacy policies informing individuals about the processing of their personal data as well as guidance on how to exercise their rights in a dedicated section on the airport's website.

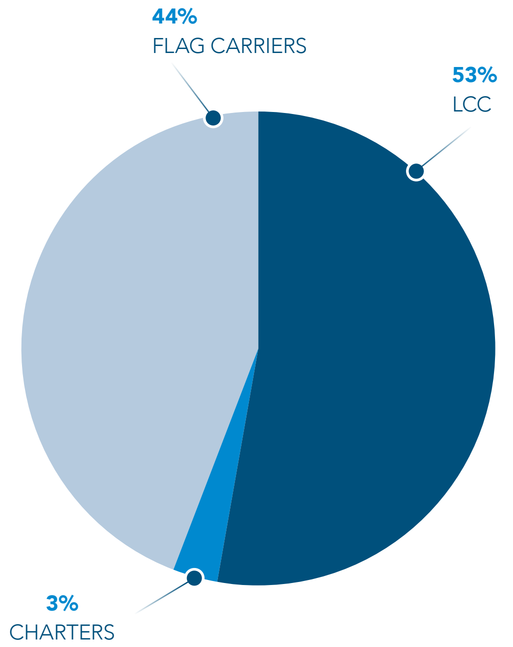
TRAFFIC HIGHLIGHTS





BUSINESS MIX

Airline	2018	2017	% Change
Low-Cost Carriers	**3,593,273**	3,193,085	12.5%
Flag Carriers	**3,023,867**	2,612,366	15.8%
Charter	**189,092**	202,185	-6.5%



PASSENGER MOVEMENTS FROM TOP 5 MARKETS

Rank	Market	2018	2017	+/-	% Change	Share
1st	United Kingdom	**1,673,067**	1,475,157	197,910	13.4%	24.6%
2nd	Italy	**1,398,857**	1,225,645	173,212	14.1%	20.6%
3rd	Germany	**821,904**	805,621	16,283	2.0%	12.1%
4th	France	**405,946**	354,465	51,481	14.5%	6.0%
5th	Spain	**320,120**	232,342	87,778	37.8%	4.7%

The figures presented on these pages (44 - 45) are for scheduled and charter flights only.

TOP 5 AIRLINES

Rank	Airline	2018	2017	+/-	% Change
1st	Ryanair	**2,439,915**	2,191,546	248,369	11.3%
2nd	Air Malta	**2,034,472**	1,661,399	373,073	22.5%
3rd	Easyjet	**391,206**	325,909	65,297	20.0%
4th	Wizz Air	**351,475**	269,031	82,444	30.6%
5th	Lufthansa	**310,246**	306,218	4,028	1.3%

TOP 5 FLAG CARRIERS

Rank	Airline	2018	2017	+/-	% Change
1st	Air Malta	**2,034,472**	1,661,399	373,073	22.5%
2nd	Lufthansa	**310,246**	306,218	4,028	1.3%
3rd	Turkish Airlines	**164,452**	149,672	14,780	9.9%
4th	Alitalia	**129,121**	95,070	34,051	35.8%
5th	Emirates	**117,654**	109,283	8,371	7.7%

TOP 5 LOW-COST CARRIERS

Rank	Airline	2018	2017	+/-	% Change
1st	Ryanair	**2,439,915**	2,191,546	248,369	11.3%
2nd	Easyjet	**391,206**	325,909	65,297	20.0%
3rd	WizzAir	**351,475**	269,031	82,444	30.6%
4th	Jet2	**126,711**	80,373	46,338	57.7%
5th	Vueling	**63,762**	63,510	252	0.4%

TRAFFIC HIGHLIGHTS

TRAFFIC DEVELOPMENT

With a total of 6,808,177 passenger movements recorded between January and December, 2018 was another year of record traffic for Malta International Airport. In fact, passenger traffic hit the 6 million passenger mark in the first week of November in the year under review, surpassing the record-breaking number of passenger movements recorded in 2017.

Yearly traffic grew by 13.2% over 2017, making this the airport's ninth year of growth. While March registered the highest increase in passenger movements, it was the third quarter of 2018 which delivered the best results to date, with July surpassing the 700,000-passenger mark for the first time in the airport's history, and August and September following suit.

The airport's enhanced connectivity and increased seat capacity were the driving forces behind this substantial growth. In fact, Malta International Airport's 2018 flight schedule offered more destinations than ever before, bringing the Maltese Islands within the reach of tourists from 115 destinations in 38 countries.

In line with the shared vision of Malta International Airport, the Ministry for Tourism and the Malta Tourism Authority to promote the islands as a year-round destination, numerous carriers increased the frequency on existing routes or extended their schedules into the shoulder period. This resulted in the growth rate of the shoulder months outpacing that of the peak summer months for the fifth consecutive year.

While the United Kingdom, Italy and Germany remained the airport's top three markets respectively, collectively making up over 50% of Malta International Airport's market share, the Spanish market grew significantly in 2018, registering an increase of over 37% by the end of the year.

The exceptional results registered by the Spanish market can be attributed to four new developments from Spain and increased frequencies on existing routes. The launch of direct flights to Lisbon and Portugal constituted a noteworthy development for 2018. This led the Company to achieve its strategic goal of forging a connection between the Maltese Islands and Portugal for the first time in over 10 years.

COMPETITIVENESS

Airlines operating to and from Malta International Airport have benefitted from unchanged airport charges since 2006. The revision of the airport's incentive programme in 2012 saw the introduction of new schemes and initiatives including free landing in winter, reductions on parking, and marketing support, with the main aim of enhancing Malta's year-round connectivity, particularly during the shoulder months.

ROUTE DEVELOPMENT STRATEGY

Malta International Airport works in close collaboration with the government through the Ministry for Tourism and the Malta Tourism Authority on a strategy of growth and route network expansion.

Two airline companies, Air Malta and Ryanair, introduced additional aircraft to their Malta base in 2018, with the latter airline expected to base a sixth aircraft at Malta International Airport in 2019, paving the way for the launch of a significant number of new routes.

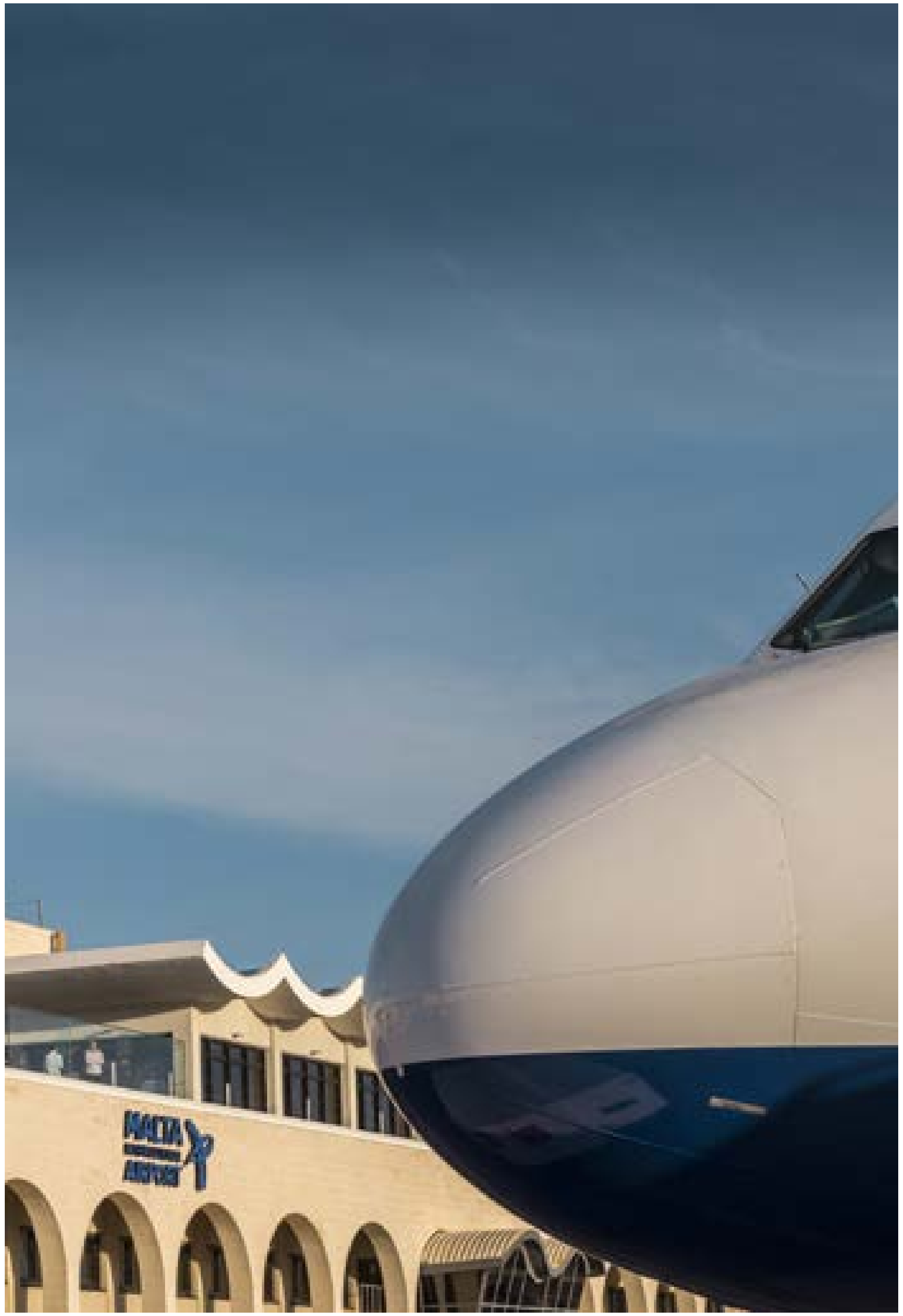
In total, 15 new routes will be launched in summer 2019 and 3 routes introduced during the winter months will also be extended into summer. The airport's Traffic Development team is already seeing its efforts to connect Malta to destinations outside of Europe bear the desired results, with Ryanair introducing a direct route to Amman in April, and Qatar Airways starting to operate to the Maltese Islands from Doha in June. Doha serves as a hub for Qatar Airways' extensive route network featuring long-haul flights to markets Malta International Airport is not directly connected to.

The airport is also expected to see an increase in charter traffic from Germany in 2019, given that an additional weekly turnaround operated by TUI cruises will be offered throughout the summer months as part of the airport's Cruise and Fly programme. Between May and October 2019, cruise passengers will be served by thrice-weekly services delivered by TUI cruises and P&O.

Looking ahead, the Company will concentrate its efforts on registering further sustainable growth, together with its partner airlines, primarily through route extensions into the shoulder months and increases in weekly flight frequencies. The Traffic Development team will also be looking to further develop markets whose potential is not being fully exploited, including Eastern Europe, Scandinavia and Russia, while continuing to explore the potential of regional airports around continental Europe in a bid to continue diversifying source markets.

NEW SCHEDULED ROUTES 2018

Air Malta	Lisbon	25th March
	Malaga	26th March
	Casablanca	26th March
	Venice	26th March
	St Petersburg	29th March
	Cagliari	6th May
	Kiev	19th June
	Lourdes	29th June
	Leipzig	31st October
Ryanair	Bratislava	25th March
	Aberdeen	25th March
	Porto	26th March
	Pescara	27th March
	Paris Beauvais	27th March
	Seville	28th March
	Tallinn	29th March
	Gothenburg	31st March
Volotea	Bilbao	24th March
	Nice	26th April



NEW SCHEDULED AIRLINES 2019

Qatar Airways	Doha	4th June

NEW SCHEDULED ROUTES 2019

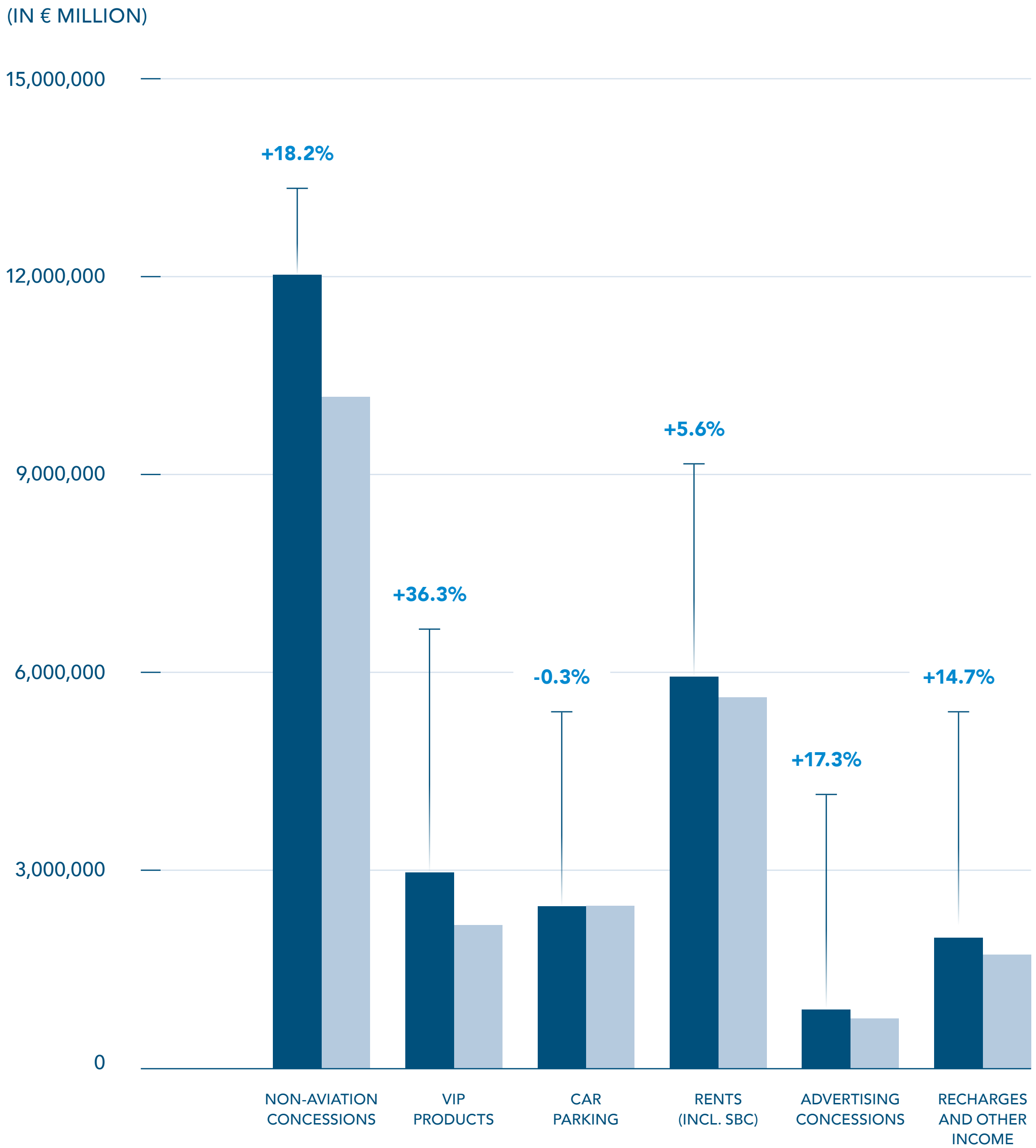
Ryanair	Maastricht	1st April
	Thessaloniki	1st April
	Perugia	1st April
	Amman	2nd April
	Exeter	2nd April
	Cardiff	3rd April
	Oslo Torp	3rd April
	Lamezia	3rd April
	Cork	4th April
Volotea	Verona	4th June
	Genoa	5th June
Wizz Air	Debrecen	31st March

RETAIL & PROPERTY

AIRPORT GUEST

"IT WOULD BE LOVELY TO INTRODUCE A PROPER MALTESE RESTAURANT AT DEPARTURES SO THAT VISITORS CAN REMEMBER JUST HOW GREAT BOTH MALTA AND MALTESE FOOD ARE."

RETAIL & PROPERTY



RETAIL & PROPERTY REPORT

THE YEAR UNDER REVIEW SAW THE COMPANY CONTINUE TO INVEST HEAVILY IN ITS NON-AVIATION SEGMENT, WHICH SUPPORTS AIRPORT OPERATIONS AND ENHANCES THE AIRPORT'S OFFERING BY PROVIDING A VAST ARRAY OF SERVICES INCLUDING RETAIL, FOOD AND BEVERAGE OUTLETS, PARKING, OFFICE SPACE WITHIN SKYPARKS BUSINESS CENTRE AND THE COMPANY'S VIP PRODUCT: LA VALETTE CLUB. THE SUCCESS OF SERVICES PROVIDED UNDER THE RETAIL AND PROPERTY SEGMENT THROUGHOUT 2018 WAS SELF-EVIDENT, REGISTERING A GROWTH OF 14.5% IN THE REVENUE GENERATED BY THE END OF THE YEAR.

LA VALETTE CLUB

Boasting 3,000 members at the end of 2018, La Valette Club offers guests exclusive access to the airport's luxurious VIP lounges at Arrivals and Departures. While La Valette Club continued to offer the one-time pass, Club Membership and High Altitude Membership, a new Traveller Membership was introduced in 2018 to make luxury travel more accessible to frequent flyers.

As part of its efforts to upgrade the experience, Malta International Airport will be revising the food offering at the La Valette lounge and the VIP Terminal by the first quarter of 2019.

A RECONCEIVED DUFRY STORE

The revamp of the Dufry store was another project that was completed in 2018, treating passengers to an enhanced duty-free shopping experience. The store, now occupying a much bigger footprint, added no less than 13 new cosmetics and beauty brands to its shelves, some of which are new to the local market. In addition to the aisles with which travellers have become well acquainted, the reconceived store introduced a Tasting Bar, where passengers can have a sip of the store's featured products, and a Beauty Studio, where guests can try some of the most iconic make-up brands on offer.

SALTWATER

Aiming to develop its retail segment further by improving and centralising its fashion retail offering, Malta International Airport introduced multiple high-end shopping options in one outlet, Saltwater, which opened in September 2018. Housing several brands, ranging from household names such as Emporio Armani and Tommy Hilfiger, to more up-and-coming designers such as Orlebar Brown, the airside store was the first outlet to introduce the Longchamp and Coach brands to the Maltese Islands. While the Hugo Boss and Bling outlets at Departures closed their doors during the year under review, a new accessories outlet – Parfois – welcomed its first clients towards the beginning of February 2019.

PARKING VILLAGE

Among the most significant developments carried out within the retail and property segment in 2018 was the commencement of works on the airport's parking village, which will be replacing the former staff and stakeholder car park. Slated for completion in 2020, Malta International Airport's €20 million parking village project will not only introduce an additional 1,300 covered parking spaces, but will also provide car rental companies with a more centralised area of operation. As part of this project, an underground link between the parking village and the existing main car park, will be constructed. At a later stage, a covered walkway will be connecting this link to the terminal building. On top of this, and in line with its pledge to minimise its carbon footprint through the generation of clean energy, the Company will be putting the rooftop of the new parking village to good use, by installing a 1,000 kWp photovoltaic system.

SUSTAINABILITY REPORT

MARIO FARRUGIA
CHAIRMAN, FONDAZZJONI WIRT ARTNA

"WITHOUT THE MALTA AIRPORT FOUNDATION'S SUPPORT, THE RESTORATION OF THE UNDERGROUND WAR HEADQUARTERS COMPLEX IN VALLETTA WOULD HAVE TAKEN LONGER TO COMPLETE AND UNIQUE CHANCES MIGHT HAVE BEEN MISSED. FONDAZZJONI WIRT ARTNA IS THUS VERY GRATEFUL FOR THE FOUNDATION'S CONTRIBUTION TO THIS PROJECT."

CORPORATE RESPONSIBILITY STRATEGY

MALTA INTERNATIONAL AIRPORT APPROACHES CORPORATE RESPONSIBILITY THROUGH A TWO-PRONGED STRATEGY, WHICH ENABLES IT TO REACH A NUMBER OF INTERNAL AND EXTERNAL OBJECTIVES.

Managed by a Corporate Responsibility (CR) Committee, the Company's internal commitments encompass the monitoring and management of its social, economic, and environmental impacts; including efforts to mitigate any negative impacts and maximise positive ones. So as to manage these impacts in a transparent manner, Malta International Airport became the first Maltese company to adopt the Global Reporting Initiative's (GRI) standards in writing and publishing an annual sustainability report, which is made available to the public. Selected sustainability disclosures reported here are independently audited.

The Malta Airport Foundation was established to invest in the Maltese Islands for the benefit of tourists and locals alike. This independent non-profit organisation has already been instrumental in implementing a number of initiatives, and will be launching a number of important projects in 2019.

As the Company implements its long-term strategy, it takes steps in its journey towards becoming a more responsible player on the Maltese stage.

THE MALTA AIRPORT FOUNDATION

THE MALTA AIRPORT FOUNDATION WAS SET UP IN 2014 AS A MEANS TO SUPPORT LOCAL PROJECTS AND INITIATIVES WHICH SAFEGUARD THE HERITAGE AND ENVIRONMENT OF THE MALTESE ISLANDS FOR FUTURE GENERATIONS, WHILE ELEVATING THE DIVERSE TOURISM PRODUCT OFFERED BY THE COUNTRY.

In the year under review, the Foundation Board was comprised of the following members:

Fredrick Mifsud Bonnici
CHAIRMAN

Frank Salt
CO-ADMINISTRATOR

Dr Timothy Gambin
CO-ADMINISTRATOR

Josef Formosa Gauci
CO-ADMINISTRATOR

Kevin-James Fenech
SECRETARY TO THE BOARD OF ADMINISTRATORS

THE OFFICIAL INAUGURATION OF TORRI XUTU

THE FIRST PROJECT TO BE TAKEN ON BY THE MALTA AIRPORT FOUNDATION WAS A COLLABORATION WITH DIN L-ART ĦELWA ON THE RESTORATION OF TORRI XUTU IN WIED IŻ-ŻURRIEQ.

In line with the airport's commitment to developing Malta's southern region, the Foundation engaged in the restoration of the 17th-century watchtower and its conversion into a visitor centre for both locals and tourists, with an investment of €250,000. Having stood the test of time since its construction during the reign of Grand Master Lascaris, Torri Xutu was not only used during the time of the Knights of St John, but went on to lend itself to the Coast Police as an observation post when the Mediterranean was in the midst of World War II. While restoration works were completed in 2017, boundary landscaping works around the tower commenced during the year under review and will be finalised in 2019.

While Żurrieq is already one of the top tourist spots in the southern part of the island, the newly restored Torri Xutu and its landscaped surroundings will undoubtedly continue to cement the area as an unmissable attraction.

THE COMBINED OPERATIONS ROOM

THE RESTORATION OF THE COMBINED OPERATIONS ROOM WITHIN THE UNDERGROUND WAR HEADQUARTERS IN VALLETTA REMAINS THE MALTA AIRPORT FOUNDATION'S HEFTIEST INVESTMENT IN LOCAL HERITAGE TO DATE, WITH A TOTAL SUM OF €334,000 CONTRIBUTED TO THIS PROJECT. THROUGH THIS INVESTMENT, A SERIES OF FORGOTTEN INTERCONNECTED ROOMS HIDDEN FROM THE PUBLIC EYE WERE TRANSFORMED INTO AN ACCESSIBLE MUSEUM BEARING TESTAMENT TO, AMONGST OTHERS, MALTA'S STRATEGIC IMPORTANCE DURING WORLD WAR II.

Works within the Combined Operations Room included the restoration of a 20-metre-wide map, which was used by NATO to plot Russian submarines' movements in the Mediterranean. The restored underground war headquarters will also feature two wax figures, one representing the Supreme Commander General Dwight Eisenhower (pictured below) and another representing the General Sir Bernard Montgomery. These two prominent wartime figures joined forces to coordinate and execute the invasion of Sicily on the 10th of July 1943.

THE LAUNCH OF COMINO: A SECRET PARADISE

THE SUCCESS OF THE FILFLA UNDERWATER DOCUMENTARY COUPLED WITH THE FACT THAT MALTA'S UNDERWATER HERITAGE ATTRACTS SOME 110,000 SCUBA DIVERS TO THE ISLANDS ANNUALLY, LED THE MALTA AIRPORT FOUNDATION TO SPONSOR A SECOND UNDERWATER DOCUMENTARY.

Putting Comino in the limelight, this documentary seeks to highlight that the marine and environmental beauty of this island should be enjoyed all year round and not just in the summer months when Comino traditionally becomes a hotspot for both locals and tourists.

Released in the last quarter of 2018 in a special cinema screening attended by students, the Minister for the Environment and members of the local press, the 30-minute documentary has now been made accessible to wider audiences on social media platforms and local TV channels.

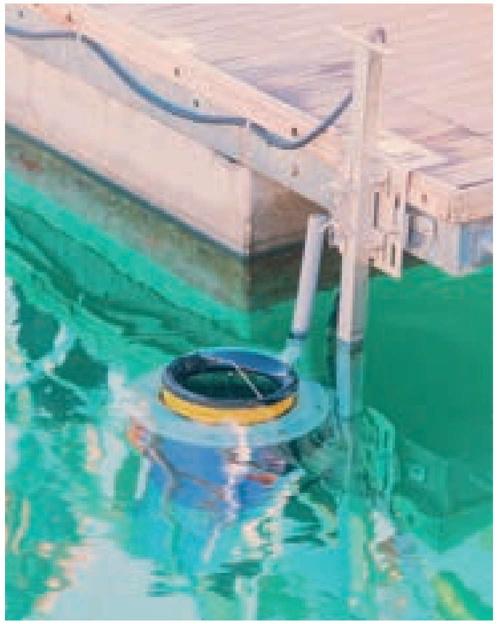
The documentary allows viewers to look closer than ever before at the marine creatures, underwater wrecks and geomorphological formations that make Comino's waters unique and worthy of inclusion in Malta's North-East Marine Protected Area.

INTO THE DEEP WITH THE PHOENICIAN SHIPWRECK EXCAVATION

ANOTHER PROJECT WHICH IS BEING SUPPORTED BY THE MALTA AIRPORT FOUNDATION IS THE ONGOING EXCAVATION OF A PHOENICIAN SHIPWRECK JUST OFF XLENDI BAY IN GOZO. DATING BACK TO THE 7TH CENTURY BC, THE WRECK WAS DISCOVERED IN 2007 AND IS JUST THE EIGHTH ARCHAIC PHOENICIAN SHIPWRECK TO BE LOCATED.

The ship itself has very likely been partially eroded, but the mixed cargo on board, including Tyrrhenian amphorae, urns and Gozitan ceramics, was the first of its kind to be found intact. The discovery of this cargo reinforces the argument that the Maltese Islands were an important part of the Phoenician maritime and trading network.

Hailing from all corners of the world and led by a local maritime archaeologist, a team of highly technical divers is gradually recovering these artefacts. Some of these artefacts were put on exhibition at the Gozo Museum of Archaeology in September 2018 for the appreciation of both locals and tourists, serving to heighten awareness of our underwater cultural heritage.



CLEANER SEAS WITH THE SEA BIN PROJECT

IN 2018, THE MALTA AIRPORT FOUNDATION PARTNERED UP WITH eNGO ŻIBEL TO SUPPORT THE PROCUREMENT OF TWO SEA BINS. GUIDED BY ITS COMMITMENT TO INVEST IN THE AIRPORT'S NEIGHBOURHOOD, THE MALTA AIRPORT FOUNDATION SPONSORED SEA BINS IN MARSAXLOKK AND MARSASCALA.

Sea bins contribute to cleaner waters by catching waste such as microplastics and marine debris, and also have the potential to collect a percentage of oils and pollutants floating on the sea surface. The two most common items that are caught by these bins are cigarette butts and plastic particles; items that would pose a hazard to marine eco-systems as well as blight our beautiful seas if left uncollected.

RESEARCH ON THE TRIPTYCH OF THE MADONNA DEL SOCCORSO

IN LINE WITH ITS PLEDGE TO SAFEGUARD MALTA'S ARTISTIC HERITAGE, THE MALTA AIRPORT FOUNDATION IS CURRENTLY SUPPORTING RESEARCH WORK BEING CONDUCTED BY THE UNIVERSITY OF MALTA ON THE TRIPTYCH OF THE MADONNA DEL SOCCORSO. THE RESEARCH INCLUDES AN IN-DEPTH ANALYSIS OF THE WOOD AND PIGMENTS USED AS WELL AS 3D SCANNING, MAKING THIS WORK OF ART THE FIRST ONE ON THE ISLANDS TO BE ANALYSED USING THIS METHOD.

Dating back to the 15th century, and being attributed to Antonio de Saliba, the triptych serves as another confirmation that the island had its own refined works of art even before the Knights of the Order of St John arrived in Malta. The Triptych of the Madonna del Soccorso forms part of the Mdina Cathedral Museum collection, with this museum being home to an impressive series of artworks and artefacts.

PERFORMANCE SUMMARY *of the 2018 GRI Sustainability Report*

PERFORMANCE SUMMARY *of the 2018 GRI Sustainability Report*

MALTA INTERNATIONAL AIRPORT IS COMMITTED TO GROWING SUSTAINABLY NOT LEAST BY MANAGING ITS ENVIRONMENTAL, ECONOMIC AND SOCIAL RISKS AND OBLIGATIONS. DURING THESE PAST YEARS, THE GRI STANDARDS HAVE CONTINUED TO SERVE AS A GUIDELINE FOR THE COMPANY TO REPORT ON ITS NON-FINANCIAL PERFORMANCE IN THIS REGARD. WHILE THE ENVIRONMENTAL, ECONOMIC AND SOCIAL PERFORMANCE RESULTS POSTED BY THE COMPANY WILL BE DISCUSSED BRIEFLY WITHIN THIS CHAPTER, THE SUSTAINABILITY REPORT WILL BE MADE AVAILABLE IN ITS ENTIRETY ON THE COMPANY'S WEBSITE IN MAY 2019.

Environmental Performance

OVERVIEW

Malta International Airport's top environmental goal for 2018 was the reduction of its GHG emissions intensity per passenger, which the Company has been lowering year on year since 2015. In addition to this, and thanks to a number of energy-saving measures undertaken, total electricity consumption for the year under review was down 0.7%, which is a noteworthy achievement considering that passenger traffic grew by a remarkable 13.2%. The Company also succeeded in reducing its total water consumption by 11.6%, thus attaining its second environmental goal for 2018.

1. GOAL: REACH A GHG EMISSIONS INTENSITY PER PASSENGER OF 0.96 KG OF CO_2/PASSENGER

PERFORMANCE SUMMARY

Malta International Airport continued to monitor and work towards reducing its emissions by using an approved metric; this being the Greenhouse Gas (GHG) emissions intensity per boarded passenger. Despite an increase of 13.2% [1] in passenger movements during the year under review, the Company succeeded in achieving its goal of lowering the GHG emissions intensity per passenger by a significant 12.0% [2] to reach 0.92 kg of CO_2 per passenger, which is below the Company's initial target. This achievement resulted from the continuation of a number of energy-saving initiatives, including the replacement of lighting and air conditioning units by more efficient equipment.

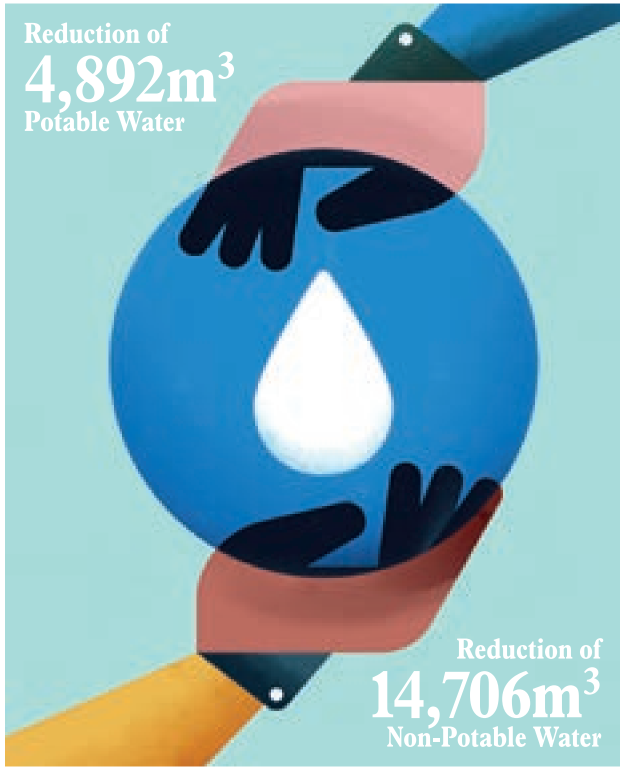
[1] The percentage increase in passenger movements for the purposes of sustainability calculations is taken to be that of 13.3%. This is calculated on the basis of schedule and charter passengers only, rather than schedule, charter, and transit passengers, since transit passengers do not contribute significantly to emissions.

[2] This reflects an updated emission factor for 2018, which takes into consideration the consumption from photovoltaic panels. As a result of this, 2017 figures, which included an original CO_2 intensity per passenger of 1.02, were updated, with the revised CO_2 intensity per passenger reading 1.05.

2. GOAL: REDUCE THE CONSUMPTION OF BOTH POTABLE AND NON-POTABLE WATER

PERFORMANCE SUMMARY

In 2018, Malta International Airport succeeded in reducing both its potable and non-potable water consumption. During the year under review, a reduction of 4,892m^3 [3] in potable water sourced from the Water Services Corporation was noted with regard to terminal operations. The significant decrease in potable water consumption can be attributed to works that upgraded the terminal washrooms in 2017, with the aim of making the hygiene systems more efficient. In parallel, the Company registered a reduction of 14,706m^3 in non-potable water, largely resulting from a series of repair works carried out to address water leakages in 2017 and 2018, together with improved rain water harvesting mainly as a result of higher amounts of precipitation.



3. GOAL: REDUCE FUEL CONSUMPTION

PERFORMANCE SUMMARY

This goal was unattained since both petrol (+7.7%) and diesel consumption (+10.7%) increased in 2018 when compared with the previous year. The increase here can be attributed to a busier operation throughout 2018, which necessitated a more frequent use of the airport sweepers for instance, as well as an increase in maintenance works and other projects on the airfield. In the meantime, the Company is continuing with its fleet replacement programme, which provides for the substitution of old vehicles with more efficient ones and the introduction of electric and hybrid vehicles.

CONCLUDING OBSERVATIONS

The Company will proceed with initiatives such as the phased replacement of air conditioning units throughout 2019. In addition to this, a number of new energy-saving measures are currently being studied together with a team of engineers for possible implementation later on in the year.

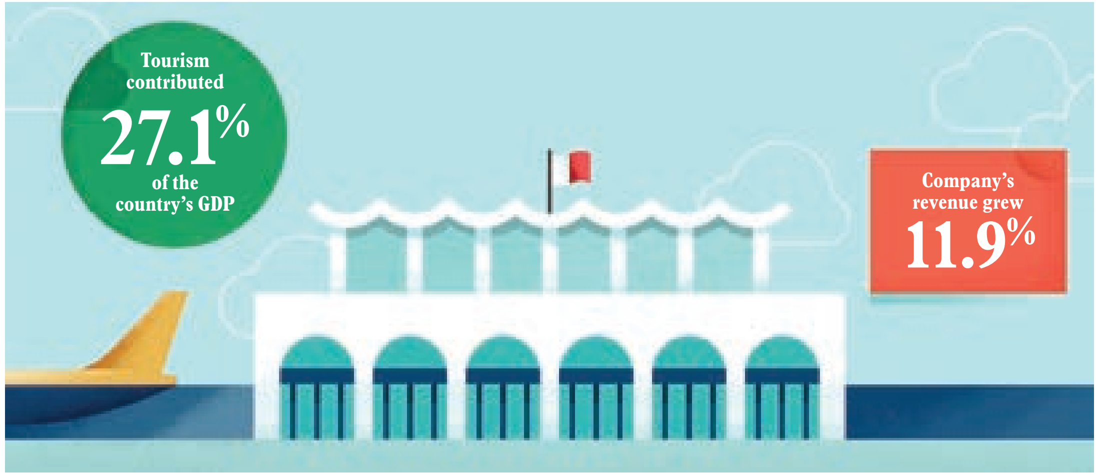
While several works and projects are expected to be rolled out during 2019, leading to higher electricity and fuel demands, eco-friendly measures such as the installation and commissioning of a 1,000 kWp photovoltaic system by the third quarter of 2019, are expected to balance out such demands. In addition to this, another 1,000 kWp photovoltaic system is planned to be installed on the rooftop of the Company's multi-storey car park, which is currently under construction, by mid-2020.

[3] This figure excludes water consumption for SkyParks Business Centre.

Economic Performance

OVERVIEW

Malta International Airport is an important driver of the Maltese economy, contributing significantly to the tourism sector. In 2018, this sector supported 28.3% of total employment and contributed to 27.1% of the country's GDP[1]. Seeing as the majority of tourists travel to Malta by air, the Company remained committed to ensuring that Malta's sole air terminal continued to offer more convenient connections to the rest of the world. Moreover, to ensure that the airport registered another profitable yet sustainable year of growth, the Company continued to align its efforts to its revenue diversification strategy. The airport's aviation and non-aviation segments combined led the Company's revenue to grow by 11.9% over the previous year, exceeding €92 million by the end of 2018.



1. GOAL: FURTHER INCREASE PASSENGER TRAFFIC IN THE SHOULDER MONTHS

PERFORMANCE SUMMARY

Malta International Airport works closely with the Ministry for Tourism (MOT) and the Malta Tourism Authority (MTA) towards a shared vision of promoting Malta as a year-round destination to address seasonality. In fact, for the fifth consecutive year, passenger traffic through Malta International Airport increased at a faster pace during the shoulder and winter months (+14.0%) than during the peak summer season (+12.2%). 2018's fastest-growing months fell within the first half of the year, with February (+18.0%), March (+22.6%) and May (+17.3%) registering the highest margins of growth. These results stemmed from the fact that numerous carriers increased flight frequencies on existing routes or extended their schedules into the winter and shoulder period.

2. GOAL: SUSTAIN A 70:30 REVENUE SPLIT BETWEEN THE AVIATION AND NON-AVIATION SEGMENTS RESPECTIVELY

PERFORMANCE SUMMARY

In line with its diversification strategy, Malta International Airport continued to invest in its non-aviation activities, including through an enhanced retail offering. While non-aviation concessions and rented office and retail space, including SkyParks Business Centre, were the leading contributors to increased earnings registered by the non-aviation segment, the airport's VIP product registered the biggest growth (+36.3%) over 2017. Record passenger traffic during the year under review, however, tipped the revenue scales in the aviation segment's favour. Increasing its contribution by 14.1% over the previous year, the non-aviation segment contributed 28.9% to the Company's total revenue in 2018, while aviation operations generated 71.1% of the airport's total annual revenue.

[1] World Travel and Tourism Council, Travel & Tourism Economic Impact 2018: Malta

3. GOAL: INCREASE MALTA INTERNATIONAL AIRPORT'S POSITIVE CONTRIBUTION TO THE LOCAL ECONOMY, USING THE RETURN ON EQUITY (ROE) METRIC AND AIMING FOR A 27.2% BENCHMARK IN 2018

PERFORMANCE SUMMARY

The positive trajectory towards reaching the 27.2% ROE target continued into 2018, leading the Company to exceed the return on tangible equity target. A 25.6% increase in net profit, standing at €30,335,640, coupled with a substantial 17.6% growth in equity which reached €112,611,257, led the Return on Equity for 2018 to stand at 29.1% during the year under review.

4. GOAL: INCREASE MALTA'S DIRECT CONNECTIVITY WITH THE REST OF EUROPE AND BEYOND, PRIMARILY BY MEANS OF ROUTE DEVELOPMENT

By working in close collaboration with relevant stakeholders, the traffic development team at Malta International Airport established direct connectivity to an unprecedented 115 destinations during the year under review. Building on the previous years' achievements, the introduction of 28 new developments led Malta's only airport to exceed the 100-route mark for the first time in its operational history. Another notable milestone for the Company was the re-introduction of flights to Portugal after a 10-year absence, resulting from the successful execution of the traffic development team's strategic plan to drive tourism growth from the Iberian market.

CONCLUDING OBSERVATIONS

While the results achieved during the year under review were encouraging, seeing as all of the Company's objectives were achieved, 2019 is set to be another successful year, with a forecast 7.2 million passengers expected to be handled by the end of it. While working with partners and stakeholders to enhance the airport's connectivity and capitalise on new market potential, the year ahead will also see the Company set the ball rolling or continue working on major projects aimed at developing the airport campus, with a capital expenditure of over €20 million.

Social Performance

OVERVIEW

In line with its goal to be one of the island's leading employers, Malta International Airport continued to invest in the workplace, provide the team with opportunities for career development and put more effort towards initiatives that nurture employees' physical and mental wellbeing. This contributed to higher levels of employee satisfaction being noted in 2018's Employee Survey results and, consequently, a healthy turnover rate. The Company also remained committed to fostering talent development among its workforce by providing equal access to training, while bridging any skills gaps by bringing on board new employees, four of whom were new graduates.

1. GOAL: ENHANCE EMPLOYEE WELLBEING THROUGH A SERIES OF INITIATIVES

PERFORMANCE SUMMARY

Employee wellbeing benefits, such as free access to a nearby gym, gained more popularity, with over 41% of the workforce making use of the gym facilities at least once in 2018. Through the Wellbeing Programme's healthy snacking initiative, around 8,799 kilos of fresh fruit were delivered to the offices, helping employees get the recommended five a day. In addition to these benefits, the programme's scope was widened to include mental wellbeing initiatives. In this regard, the Company partnered with the Richmond Foundation to provide free professional psychological support to team members requesting such support. Moreover, around 260 employees benefitted from the wellbeing allowance introduced as part of the new Collective Agreement, aimed at incentivising employees to lead a healthier lifestyle.

2. GOAL: CONTINUE TO SUPPORT THE PROFESSIONAL DEVELOPMENT OF EMPLOYEES

PERFORMANCE SUMMARY

The hours allocated to company-wide training have almost doubled since 2016, increasing from 4,700 hours to a remarkable 8,837 hours[1], and allowing every employee to benefit from an average of 24.8 training hours in 2018. This significant investment in employee training is aligned with the Company's commitment to creating and upholding a high-performance culture which stimulates employee empowerment and maximisation of potential. Through the training feedback system in place, 88% of employees expressed their satisfaction with the training they received and the learning outcomes.

3. GOAL: SUPPORT FRESH GRADUATES THROUGH THE AIRPORT'S GRADUATE MANAGEMENT PROGRAMME

PERFORMANCE SUMMARY

Through the Graduate Management Programme, the Company endeavours to ease the transition from education to work for fresh graduates, who in turn contribute to enhancing the skill set and experience available to the Company, which is required to meet the current labour market demands. Promising candidates are also offered the opportunity to continue to pursue a career at Malta International Airport upon completing their first year of training. During the year under review, the Company welcomed four new graduates in three different departments, bringing the total number of recruits since the conception of this programme up to 13.

4. GOAL: LAUNCH AN EDUCATIONAL PROGRAMME FOR STUDENTS

PERFORMANCE SUMMARY

Recognising the significance of its role within the local community, Malta International Airport continued to facilitate airport visits as part of its Airport Visits Programme, governed by revised guidelines. In 2018, students at primary level through to a tertiary level of education visited Malta International Airport and the Meteorological Office to garner a better understanding of airport operations as part of their curriculum. Moreover, in 2018, a number of 'maths trail' visits were facilitated for several schools, enabling students to get a better grasp of the subject outside of the usual classroom environment.

CONCLUDING OBSERVATIONS

In line with its pledge to be a socially responsible player, Malta International Airport will continue to establish a level-playing field for its people, providing all employees with equal opportunities within the workplace, and will continue to invest in future generations by fostering skills and talent development from the earliest educational stages.

[1] This figure does not include 640 hours of classroom-based training delivered to Customer Services Representatives and 192 hours of induction and on-the-job training delivered to recruits.

OUTLOOK 2019

AIRPORT GUEST

“MALTA INTERNATIONAL AIRPORT IS HOW AN AIRPORT SHOULD BE: CLEAN, EFFICIENT AND WITH PLEASANT STAFF. ALL IN ALL, ONE OF THE BEST AIRPORT EXPERIENCES I HAVE HAD IN YEARS.”

OUTLOOK 2019

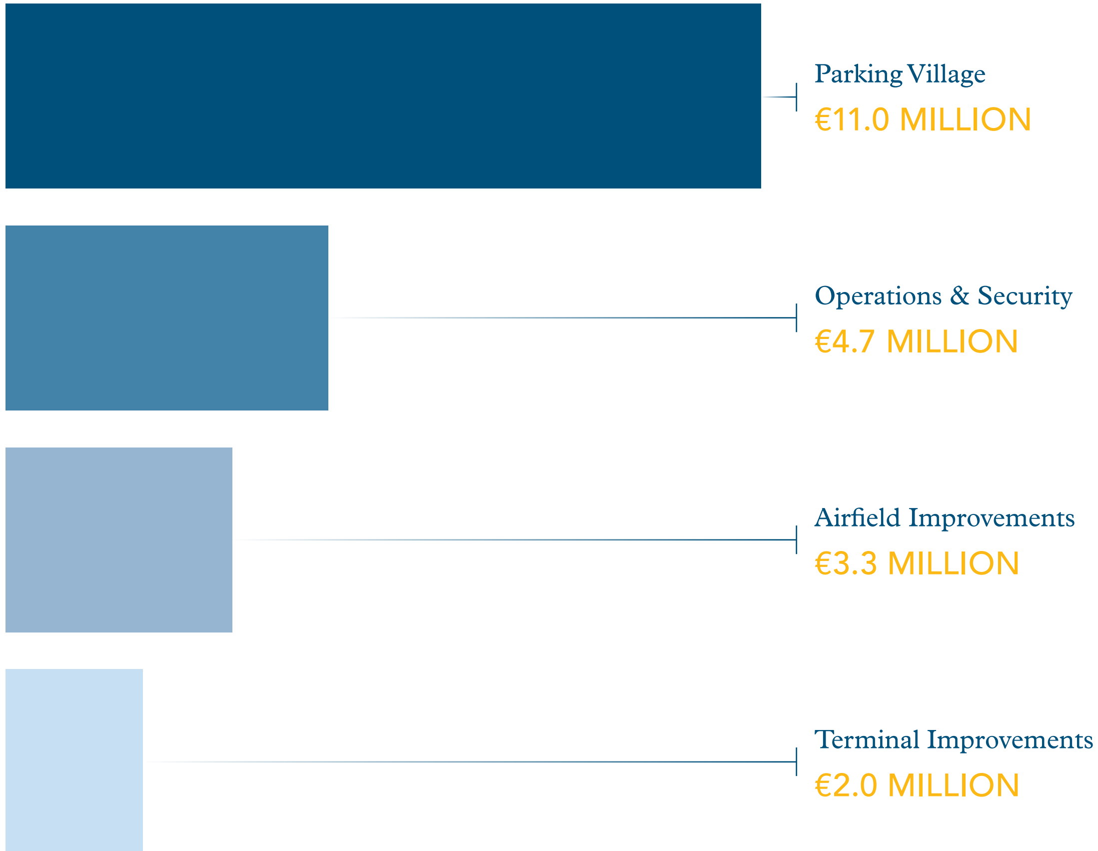
2019 IS EXPECTED TO BE ANOTHER SUCCESSFUL YEAR FOR MALTA INTERNATIONAL AIRPORT. THE COMPANY IS FORECASTING A GROWTH OF APPROXIMATELY 6% IN PASSENGER TRAFFIC FOR THE COMING YEAR, DRIVING PASSENGER MOVEMENTS UP TO 7.2 MILLION.

While the outlook for the airport is positive, the Company will continue to concentrate its efforts on maintaining a sustainable growth rate, primarily by collaborating with its stakeholders on the promotion of the country as a year-round tourist destination.

As a significant contributor to the country's Gross Domestic Product, Malta International Airport's profitability also translates to a stronger local economy. The Company has projected that in 2019 it will generate a total revenue of over €96 million, of which annual taxes and dividend contributions to government are expected to be in the region of €21 million.

INVESTMENTS 2019

With plans to develop the airport campus to enable the Company to handle a growing number of passengers and aircraft movements, Malta International Airport will be investing over €20 million in infrastructural improvements in 2019. The projects proposed for 2019 and beyond are expected to help Malta International Airport keep delivering the excellent service it places so much emphasis on.



FUTURE PROJECTS

TERMINAL EXPANSION
The €12 million Terminal Reconfiguration Project, which was rolled out in 2016, was concluded in March 2019. While this project focused primarily on the reorganisation of key processes and terminal improvements, the Company is now setting its sights on a terminal expansion. The coming year will see the Company draft plans to extend the current terminal building so as to be able to offer better facilities, including additional restrooms, check-in desks and gates, and more circulation space.

CARGO VILLAGE
In line with the Company's strategic plan to invest in the airport infrastructure as a means to support its core activities, Malta International Airport will be expanding its cargo village. The aim of this project is not only to create additional space for logistics warehouses belonging to third parties, but also to facilitate access to the area by re-routing its leading road, and develop a satellite car park.

SKYPARKS 2
Another game-changing project which is set to boost Malta International Airport's retail and property segment even further is the SkyParks 2 development. In the first quarter of 2019, the Company released a call for tenders for a design concept for the mixed-purpose building, with the successful bid expected to be presented for the approval of the Board by the end of 2019. SkyParks 2 will occupy a total footprint of 4,600 square metres and provide circa 22,000 square metres of commercial and office space. Moreover, it will introduce a 4,100-square-metre business hotel on the airport campus.

APRON X
2018 has been the busiest year to date for Malta's aerodrome and, with passenger traffic expected to increase by approximately 6.0% in 2019, the Company is looking to develop land granted by the government into a new apron which will provide the airport with long-term aircraft capacity stability. In 2019, the Company will be drawing up detailed plans for this multi-million development, which will cater for either 7 additional stands for Code C aircraft or four stands for Code E aircraft. Apron X will be located in the midst of the aerodrome's operational hub, reducing turnaround time and improving process efficiency, which will be further heightened by the introduction of ground handling staging areas.

The drafting of plans for Apron X will take into the consideration the results of the capacity analysis exercises carried out and the call for tenders which is expected to be issued in 2019.

FINANCIAL REPORT

GENERAL INFORMATION
MALTA INTERNATIONAL AIRPORT P.L.C.

DIRECTORS
Mr Nikolaus Gretzmacher (Chairman)
Mr Alan Borg (Chief Executive Officer)
Mr Karl Dandler (Chief Financial Officer)
Ms Rita Heiss
Dr Cory Greenland
Dr Wolfgang Koeberl
Mr Florian Nowotny

COMPANY SECRETARY
Dr Louis de Gabriele LL.D.

REGISTERED OFFICE
Malta International Airport,
Luqa,Malta.
Tel. (+356) 21 249 600

COUNTRY OF INCORPORATION
Malta

COMPANY REGISTRATION NO.
C 12663

AUDITOR
Deloitte Audit Limited,
Deloitte Place, Mrieħel Bypass,
Mrieħel, Malta.

LEGAL ADVISORS
Camilleri Preziosi Advocates,
Level 2 - Valletta Buildings,
South Street, Valletta, Malta.

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2018

THE DIRECTORS PRESENT THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018.

Principal Activities

The Company's principal activities are the development, operation and management of Malta International Airport (MIA). Malta International Airport p.l.c. has a 65-year concession to operate Malta's airport, which came into effect in July 2002.

Malta International Airport p.l.c. has three 100% owned operating subsidiaries; Airport Parking Limited, Sky Parks Development Limited and Sky Parks Business Centre Limited. Airport Parking Limited operates all the car parks situated on the land leased to Malta International Airport p.l.c., whilst Sky Parks Development Limited and Sky Parks Business Centre Limited run the SkyParks Business Centre building.

Malta International Airport p.l.c. has another subsidiary; Kirkop PV Farm Limited, set up with the intention to explore opportunities in the generation of electricity using photovoltaic technologies. Kirkop PV Farm Limited, however, did not trade in 2018.

Review of the Business and Outlook

Traffic Development

Passenger traffic for 2018 totalled 6,808,177 movements at Malta International Airport, marking the achievement of a new milestone and the airport's ninth consecutive year of growth.

Translating into a noteworthy increase of 13.2% over 2017, this annual all-time high was observed in parallel with a 13.4% increase in aircraft movements and a growth of 14.0% in seat capacity. Seat load factor dropped marginally by 0.6 percentage points to stand at 81.8%.

A total of 28 new developments were introduced in 2018 as new routes were launched and a number of carriers increased the frequency on existing routes or extended their summer schedules into the shoulder period. Cargo and mail handled throughout the year reached 17,684 tonnes, an increase of 9.3% over the previous year.

Ryanair carried the highest number of passengers in 2018, registering an 11.3% increase in passenger movements over the previous year. This growth was due to the airline basing an additional aircraft at Malta International Airport as from summer 2018, introducing nine new routes and extending eight routes into the winter schedule.

Air Malta registered a 22.5% increase in passenger movements, following a 23.6% increase in seat capacity. The airline added two aircraft to its fleet in 2018 and introduced a total of 13 new routes.

Traffic Highlights

	2018	2017	+/-	% Change
Passenger Movements	**6,808,177**	6,014,548	793,629	13.2%
Aircraft Movements	**48,737**	42,987	5,750	13.4%
Seat Capacity	**8,329,997**	7,306,790	1,023,207	14.0%
Seat Load Factor	**81.8%**	82.4%		-0.6 pp
MTOW (in tonnes)	**1,951,299**	1,726,644	224,655	13.0%
Cargo and Mail (in tonnes)	**17,684**	16,177	1,507	9.3%

Operational Performance Indicators

More than 300 airports worldwide, covering more than half the world's annual passengers, participate in a survey which measures the quality of the airport service to its customers. This survey, known as the ASQ (Airport Service Quality) survey, developed by Airports Council International (ACI) is also carried out at Malta International Airport. Departing passengers are interviewed whilst waiting at the gate and are asked to rate their experience at that particular airport. The ASQ survey rates the airport's performance in key service areas constituting both the departures and the arrivals experience of passengers.

MIA has been participating in the ASQ survey since 2005 and has consistently ranked as one of the top five airports in Europe over the past years, across all airport size categories. In 2018, MIA received the highest overall passenger satisfaction score, with its ranking among European airports to be confirmed at the end of February 2019. This score gains more significance given the strong traffic increase, particularly in the last three years, and the significant challenges presented by ongoing works in many parts of the terminal throughout 2018. The target of the Company is that the airport will continue to rank within the top ASQ positions in Europe in the foreseeable future.

The overall ASQ performance indicators (measured out of 5, with 5 being the highest mark) for the four quarters of 2018, compared to 2017, are listed below:

	2018	2017	+/-
1st Quarter	**4.50**	4.23	0.27
2nd Quarter	**4.26**	4.31	(0.05)
3rd Quarter	**4.37**	4.33	0.04
4th Quarter	**4.37**	4.41	(0.04)
Average for the year	**4.36**	**4.32**	**0.04**

Infrastructural Investments

In 2018, total investment in the infrastructural development of the airport campus amounted to EUR 8.4 million.

In a bid to enhance the passenger experience even further, the Company proceeded with terminal infrastructure upgrades, with an overall investment of EUR 2.7 million. In 2018, the Terminal Reconfiguration Project, which is nearing completion, encompassed the installation of eight additional check-in desks as well as an upgrade of the baggage handling system. Other terminal improvements, such as the refurbishment of public washrooms and the replacement of terminal signage, were made alongside these reconfiguration works.

On the airfield, the Company completed the resurfacing of Taxiway Delta and set into motion major projects such as pavement surface rehabilitation works on Apron 8 and the resurfacing of Taxiway Echo, with investment in these upgrades totalling EUR 2.2 million. An additional EUR 2.6 million were invested in security and operations-related facilities and equipment, in an effort to further reinforce the safety, security and efficiency of the airport and its operations.

The last quarter of 2018 saw the Company kick off works on the construction of its EUR 20 million parking village. Scheduled for completion in 2020, this project will introduce 1,300 covered car parking spaces on the airport campus, a centralised area of operation for car rental companies, and a tunnel linking to a walkway leading to the terminal building.

In 2019, investments will reach over EUR 20 million. In addition to works on the parking village, the Company will invest EUR 2.0 million in terminal improvements, whilst also continuing its efforts to improve the airfield infrastructure by investing EUR 3.3 million in projects such as the continuation of the resurfacing of Taxiway Echo and the rehabilitation works on Apron 8. An additional EUR 4.7 million will be dedicated to projects related to operations and security, with a focus on the installation of new baggage scanners as well as the procurement of a new fire vehicle as part of a three-year programme to upgrade the airport's fire vehicle fleet.

The Company also envisages to finalise plans for the multi-million-euro development of an additional aircraft parking area – Apron X - in 2019. Apron X will cater for either seven additional stands for Code C medium-sized aircraft or four stands for Code E wide-bodied aircraft, thereby equipping the airport with additional airfield capacity for the long term. Furthermore, the Company plans to have in hand detailed plans for the SkyParks 2 project by the end of 2019, which will add another 22,000 sqm of office and commercial space and introduce a business hotel of 4,100 sqm to the airport campus.

Principal Risk and Uncertainties

The Board as a whole, including the Audit Committee members, consider the nature and the extent of the risk management framework and the risk profile to be acceptable to the Board. The Audit Committee periodically reviews the work carried out by the Risk Management Committee of the Company and evaluates the impact these risks pose to the Company's strategic objectives.

The main strategic, corporate and operational risks and uncertainties identified during the year are broadly the same as those of previous years and are listed below:

SECURITY THREATS

The Company is committed to investing heavily year on year in ensuring that airport guests, employees and stakeholders remain safe and secure at all times. MIA works closely with the police and government security agencies to ensure that its security facilities and processes meet the high standards required to respond to new and existing security threats. The Company's security facilities and processes are subject to extensive internal and external inspections and audits by regulators, external specialists and internal teams, which regularly test the effectiveness of the Company's surveillance, security screening, landside and airside security processes as well as staff training requirements.

DISRUPTION TO OPERATIONS

The Company has emergency response, crisis management and business continuity plans in place, which are regularly tested and updated to ensure that it is able to respond quickly and effectively to any disruptions to its operations. The Company is also adequately covered by an insurance programme which provides financial protection in the case of major operational disruptions.

DIRECTORS' REPORT (CONTINUED)

DOWNTURN IN TRAFFIC

The Company is mindful of possible downturns in passenger traffic as a result of adverse scenarios such as international terrorism, economic crises in its main markets, or changes in the strategies of airlines operating to and from Malta International Airport. The Company collaborates closely with these partner airlines as well as with other key tourism stakeholders, and is continuously seeking to secure traffic from new markets by developing new routes and attracting new airlines to sustain passenger growth of the airport.

Outlook

Looking ahead to 2019, Ryanair will base an additional 6th aircraft at Malta International Airport, enabling the launch of a significant number of new routes, whilst Air Malta will be extending their new German routes, launched in November 2018, into the summer schedule. 2019 will also see the introduction of a new airline, Qatar Airways operating from Doha. In addition to being a new point-to-point route, Doha will primarily serve as a hub for Qatar Airways' extensive inter-continental route network.

Wizz Air will introduce a new flight from the second largest city in Hungary, Debrecen, and low-cost airline Volotea will launch two new routes from their Italian bases in Genoa and Verona. An additional weekly turnaround from the TUI cruise ship will operate throughout the summer months and consequently result in an increase in charter traffic from Germany.

The growth in traffic will be partially offset by some reductions in capacity and discontinued routes.

Save for any extraordinary or unpredictable events, the Company's outlook for 2019 remains positive. The Company is, therefore, forecasting an increase in seat capacity, stemming from the above-mentioned developments, and our projections indicate that passenger movements will reach an overall 7.2 million passengers, which is an increase of approximately 6% over 2018 figures.

Employees

The Company invests significantly in its people as it recognises the importance of the continuous professional development of its human resources. During 2018, employees collectively benefitted from over 8,800 hours of formal training, amounting to an average of around 24 hours per employee. This figure excludes 640 hours of classroom-based training that was provided to new Customer Services employees as well any induction and on-the-job training given. The bulk of training provided, over 3,000 hours, was related to safety, followed by professional development courses which were responsible for an additional 2,000 hours. Employee feedback on the training provided was very encouraging, with an average of 88% of employees feeling satisfied with the learning outcomes and finding the content informative and useful.

During the year, the Company continued with a series of initiatives, to encourage a healthy work-life balance amongst its workforce, which included the very popular free gym membership. 2018 also saw the introduction of a wellbeing allowance to encourage employees to lead a healthier lifestyle. This allowance covers participation in sports activities, visits to a nutritionist, and upgrades of the health insurance cover that the Company provides for its employees. Around 260 employees benefitted from this allowance throughout the year.

In May 2018, a new Collective Agreement covering the period from 2018 to 2022 was reached between the Company and the two unions that have shared joint staff representation: Union Ħaddiema Magħqudin (UĦM) and General Workers Union (GWU). The new agreement covers annual salary increases until 2022 as well as the introduction of a performance bonus system that is linked to the Company's strategic objectives. It also provides more flexibility to the ever-increasing operational demands of the airport, through the introduction of new shift timings.

The number of employees of the Company at the end of 2018 was 357, an increase of 14.8% when compared to the status at the end of 2017. Of these, nine were employed with two of the fully-owned subsidiaries of the Company: Airport Parking Limited and Sky Parks Business Centre Limited.

The average employee age was 39 and the average length of service with the Company was of ten years.

Corporate Social Responsibility

The directors are committed to the highest standards of Corporate Responsibility (CR), particularly in the social, economic and environmental fields. The Company's internal and external CR initiatives benefit its key stakeholders, notably airport guests, partners, employees and shareholders, and enable the Company to honour its pledge of being a responsible player within the wider community.

In 2018, the Company undertook several such initiatives aimed at removing, reducing or mitigating any negative impacts, whilst building upon positive ones. These initiatives and their outcomes are reported upon in more detail, and in a transparent manner, in the Company's Sustainability Report, which is compiled annually in accordance with the internationally recognised Global Reporting Initiative (GRI) standards.

During 2018, the Company strived to lower its greenhouse gas emissions intensity per passenger further through the introduction of more energy-efficient systems, and focused upon the reduction of its water consumption. In addition to these environmental targets, the Company continued to encourage its employees to use alternative means of transportation instead of their vehicles, rewarding team members who chose to carpool or travel to work by bus, bicycle or on foot. This initiative will also be driven by the Company throughout 2019.

An important social initiative for 2018 was the launch of the Journey Facilitation Programme for passengers with autism, complemented by the delivery of sensitivity training to the airport's front-liners. Ever since its introduction in April 2018, this service, which is tailor-made to the needs of passengers with autism and family members accompanying them on a trip, has been availed of by more than 180 people, allowing them to enjoy a more pleasant airport experience.

The Company's external CR initiatives, on the other hand, are channelled through the Malta Airport Foundation; an independent body set up to invest funds into Malta's touristic, cultural and environmental heritage.

New projects for 2018 included the granting of financial support for the exploration and study of an underwater site off Xlendi, where a shipwreck harbouring very well-preserved mixed Phoenician cargo was discovered, and the sponsorship of sea bins in Marsaxlokk and Marsascala. In 2018, the Malta Airport Foundation announced that it would be supporting the University of Malta in conducting research on a centuries-old triptych dedicated to the Madonna Del Soccorso, which forms part of the Mdina Cathedral Museum Collection.

Moreover, in 2018, the Foundation registered progress on a number of projects that were launched in previous years, such as the restoration of the Combined Operations Room in Valletta and landscaping works on the boundary area adjacent to the newly restored Torri Xutu. The Foundation also released the first-ever underwater, natural and anthropological documentary about Comino, whose diverse marine life and stunning geomorphology have led it to be included in Malta's North-East Marine Protected Area.

DIRECTORS' REPORT (CONTINUED)

Financial Performance

Financial Results

In 2018, the revenue of the Group increased by EUR 9.8 million when compared to 2017, from EUR 82.4 million to EUR 92.2 million, translating into an increase of 11.9%. Airport Segment revenues rose by EUR 6.5 million; from EUR 59.0 million to EUR 65.5 million, whilst revenues from the Retail and Property Segment were up EUR 3.3 million; from EUR 23.0 million to EUR 26.3 million.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) of the Group increased by 12.1%, from EUR 48.6 million to EUR 54.4 million, whilst the EBITDA margin remained stable at 59.0%. Profit before tax rose from EUR 37.6 million in 2017 to EUR 47.1 million in 2018, representing an increase of 25.4%. Total comprehensive income for the year attributable to shareholders net of tax for the Group reached EUR 30.4 million, up 25.7% when compared to EUR 24.2 million in the previous year.

The financial results of the Group for 2018 were driven by another substantial increase in the volume of passenger traffic. Passenger movements for 2018 reached the record 6.8 million mark; a 13.2% growth over the previous year, giving rise to a significant increase in the turnover of the Group. Another factor that contributed to the significant increase in profitability for the year under review was the early repayment of debt that took place in the last quarter of 2017.

Revenues

Revenues from the Airport segment increased by 11.1% and constituted 71.1% of the total revenues of the Group (2017: 71.6%). Aviation-related revenues remain the most important income stream of the Group.

Revenues from the Retail & Property segment were 14.5% higher than in the previous year and constituted 28.5% (2017: 27.9%) of the total revenue of the Group.

The remaining portion of 0.4% of revenues originated from the Other segment, which has remained practically unchanged from last year (2017: 0.5%).

Staff Costs

Staff costs of the Group in 2018 amounted to EUR 9.7 million, up EUR 1.7 million when compared to 2017. This increase of 21.2% during the year under review resulted from the recruitment of more staff necessitated by the strong growth in traffic, as well as the signing of a new Collective Agreement in May 2018 providing for better benefits for the Company's employees.

Other Operating Expenses

In 2018, the operating costs of the Group of EUR 28.0 million were higher than those of 2017 by EUR 2.3 million; an increase of 8.8%. This was the result of a number of factors, the main one being higher maintenance costs as well as additional costs, as a result of increased passenger volumes passing through the airport during 2018.

Finance Cost

The significant reduction in finance costs compared to the previous year is largely due to the payment of a one-off early repayment fee of EUR 2.8 million in late 2017. Interest expenditure during 2018 was also significantly less than in the comparative period as a result of the debt repayments made in the same transaction in 2017 and the settlement of the remaining bank loans early in 2018.

Comprehensive Income and Dividends

The financial results of the Group and the Company for the year ended 31 December 2018 are shown in the Statement of Comprehensive Income on page 101. The total comprehensive income of the Group for the year after taxation amounted to EUR 30,366,713 (2017: EUR 24,154,410).

Further to the net interim dividends paid of EUR 4,059,000 (Gross: EUR 6,244,615), the Board of Directors is recommending the payment of a final net dividend of EUR 0.09 per share (Gross: EUR 0.138) on all shares settled as at close of business on 15 April 2019, which dividend shall be paid not later than the 29 May 2019.

Financial Position

The profit for the year, net of dividends paid together with shareholders' funds brought forward from the prior year, resulted in shareholders' funds as at 31 December 2018 of EUR 112,611,257 and EUR 113,427,723 for the Group and the Company, respectively. These totals were up from EUR 95,748,351 and EUR 97,815,138 respectively as at year end 2017.

Going Concern

After reviewing the Company's budget for the next financial year and its other longer-term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the Financial Statements.

Financial Risk Management

Financial risks of the Group and the Company identified during the year and their financial risk management objectives are outlined in detail in Note 38 of the Financial Statements.

Financial Key Performance Indicators

(in EUR million)	2018	+/-	2017	+/-	2016
Total Revenue	**92.2**	11.9%	**82.4**	12.7%	**73.1**
thereof Aviation Revenue	**65.5**	11.1%	**59.0**	14.6%	**51.5**
thereof Non-Aviation Revenue	**26.7**	14.1%	**23.4**	8.3%	**21.6**
EBITDA	**54.4**	12.1%	**48.6**	21.5%	**40.0**
EBITDA Margin (in %)	**59.0%**	0.1 pp	**59.0%**	4.2 pp	**54.7%**
EBIT	**47.0**	14.3%	**41.2**	24.2%	**33.2**
EBIT Margin (in %)	**51.0%**	1.1 pp	**50.0%**	4.6 pp	**45.4%**
Net Profit	**30.3**	25.6%	**24.2**	15.1%	**21.0**
ROCE (in %)	**30.0%**	2.9 pp	**27.0%**	6.4 pp	**20.6%**
Cash Flow from Operating Activities	**36.8**	-13.7%	**42.7**	56.4%	**27.3**
Equity	**112.6**	17.6%	**95.8**	12.5%	**85.1**
Balance Sheet Total	**169.8**	-7.1%	**182.9**	6.1%	**172.4**
Capital Expenditure	**8.4**	-39.7%	**14.0**	95.8%	**7.2**
Taxes on Income	**16.8**	24.9%	**13.4**	17.6%	**11.4**
Average Employees (No.)	**340**	10.7%	**307**	1.0%	**304**

Share Capital

The share capital of the Company is EUR 33,825,000 divided into three classes of shares as follows:

- 81,179,990 Ordinary 'A' Shares representing approximately 60% of the total issued share capital;
- 54,120,000 Ordinary 'B' Shares representing 40% of the total issued share capital; and
- 10 Ordinary 'C' Shares.

All shares issued have a nominal value of EUR 0.25, are fully paid up and allotted.

The Ordinary 'A' Shares are admitted to the official list of the Malta Stock Exchange, whilst the Ordinary 'B' and Ordinary 'C' Shares are not admitted or traded on an exchange.

The Ordinary 'A' Shares and Ordinary 'B' Shares shall entitle their holders to the same rights, benefits and powers in the Company save for the transferability thereof. The Ordinary 'A' Shares shall be freely transferable whilst the Ordinary 'B' Shares were non-transferable for a period of fifteen (15) years from

26 July 2002, upon which date they automatically became fully and freely transferable without the need of any formality.

The Class 'C' Share is held by and, in terms of the Memorandum of Association, may only be held by the Government of Malta. It does not carry any right to receive dividends or assets on a winding up or other return of capital but entitles the Government of Malta to appoint members on the National Interest Matters Committee pursuant to Article 58.10 of the Articles of Association of the Company.

Save for the above there are no other restrictions attached to the shares of the Company.

No changes in the share capital of the Company were made nor did the Company acquire ownership of, or any rights over, any portion of its own share capital.

The following shareholders have an interest in more than 5% of the issued share capital of the Company:

- Malta Mediterranean Link Consortium Ltd
- Government of Malta
- VIE (Malta) Ltd

Directors

Appointment and replacement of directors

The Board of Directors of the Company is made up of a maximum of eight (8) Directors. Five (5) Directors are Non-Executive Directors and a maximum of three (3) Directors, amongst whom is the CEO, are Executive Directors.

Any shareholder holding not less than 20% of the issued share capital of the Company having voting rights is entitled to appoint one director for each 20% shareholding by a letter addressed to the Company. In this respect, Malta Mediterranean Link Consortium Limited is entitled to appoint two (2) Non-Executive Directors and the Government of Malta is entitled to appoint one (1) Non-Executive Director. The remaining Non-Executive Directors are appointed by the shareholders in a general meeting pursuant to the Articles of Association.

Unless appointed for a longer term, a director holds office from one Annual General Meeting to the next and is eligible for re-appointment. The maximum period for which a director may be appointed is a term of three (3) years, following the lapse of which, such Director shall be eligible for re-appointment.

In terms of the Articles of Association, the CEO of the Company shall occupy one of the Executive Director positions. The other Executive Directors to be co-opted to the Board are the Chief Finance Officer and the Chief Commercial Officer.

Powers of Directors

The Directors of the Company have all the powers necessary to manage and direct the Company. The Company is empowered to buy back any of its shares, subject to the limitations and restrictions at law and the listing rules. Subject to the authority of shareholders, to be given at five (5) year intervals, the Directors are also empowered to issue further shares in the Company.

Directors

The Directors who served during the year were:

Director	Title	Director since
Mr Nikolaus Gretzmacher	Chairman & Non-Executive Director	2012
Ms Rita Heiss	Non-Executive Director	2015
Dr. Cory Greenland	Non-Executive Director	2015
Dr. Wolfgang Koeberl	Non-Executive Director	2016
Mr Florian Nowotny	Non-Executive Director	2017
Mr Alan Borg	CEO and Executive Director	2012
Mr Karl Dandler	CFO and Executive Director	2014

In accordance with paragraph 56.1 of the Company's Articles of Association, all the present directors are to retire at the forthcoming Annual General Meeting. The appointment of the new directors will take place in accordance with paragraphs 55 and 56 of the same Articles of Association at the Annual General Meeting.

Directors' Interests in Material Contracts

The following Directors have declared their interests in the share capital of the Group:

- MR NIKOLAUS GRETZMACHER
  a non-beneficial interest [1]
- MS RITA HEISS
  a non-beneficial interest [2]
- DR. CORY GREENLAND
  a beneficial interest

No other Director has a beneficial or non-beneficial interest in the Company's share capital.

Auditor

A resolution to reappoint Deloitte Audit Limited as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 20 February 2019 and signed on its behalf by:

Nikolaus Gretzmacher
CHAIRMAN

Alan Borg
CHIEF EXECUTIVE OFFICER

Karl Dandler
CHIEF FINANCIAL OFFICER

[1] These shares are held by MMLC and VIE Malta Limited, companies of which Mr Gretzmacher is a Director.
[2] These shares are held by MMLC and VIE Malta Limited, companies of which Ms Heiss is a Director.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the Company and the Group at the end of every financial year, and of the profit or loss of the Company and the Group for the year then ended.

In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF RESPONSIBILITY PURSUANT TO THE LISTING RULES ISSUED BY THE LISTING AUTHORITY

We confirm that to the best of our knowledge:

a) In accordance with the Listing Rules the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2018 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and

b) In accordance with Listing Rules the Directors' Report includes a fair review of the performance of the business and the financial position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Karl Dandler
CHIEF FINANCIAL OFFICER

OBO/DIRECTORS

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE

Introduction

Pursuant to the Listing Rules issued by the Listing Authority, Malta International Airport p.l.c. (the "Company") should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Listing Rules (the "Code"). In terms of Listing Rule 5.94, the Company hereby reports on the extent of its adoption of the principles of the Code for the financial year being reported upon.

The Company acknowledges that the Code does not dictate or prescribe mandatory rules, but recommends principles of good practice. However, the directors strongly believe that such practices are generally in the best interests of the Company and its shareholders and that compliance with the principles of good corporate governance is not only expected by investors but also evidences the directors' and the Company's commitment to a high standard of governance.

The Board of Directors (the "Board") has carried out a review of the Company's compliance with the Code for the financial year being reported upon, namely the year ended 31 December 2018.

General

The Directors believe that good corporate governance is a function of a mix of checks and balances that best suit the Company and its business. Accordingly, whilst there are best practices that can be of general application, the structures that may be required within the context of larger companies are not necessarily and objectively the best structures for companies whose size and/or business dictate otherwise. It is in this context that the directors have adopted a corporate governance framework within the Company that is designed to better suit the Company, its business, scale and complexity whilst still ensuring proper checks and balances.

The Company has a corporate decision-making and supervisory structure that is tailored to suit the Company's requirements and designed to ensure the existence of adequate checks and balances within the Company, whilst retaining an element of flexibility.

In general, the directors believe that the Company has adopted appropriate structures to achieve an adequate level of good corporate governance, together with an adequate system of checks and balances in line with the Company's requirements.

This corporate governance statement (the "Statement") will now set out the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manners in which the directors believe that these have been adhered to. Where the Company has not complied with any of the principles of the Code, this Statement will give an explanation for non-compliance.

For the avoidance of doubt, reference in this Statement to compliance with the principles of the Code means compliance with the Code's main principles, and the Code Provisions.

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE (CONTINUED)

Compliance with the Code

Principle One: The Board

The directors believe that for the period under review the Company has generally complied with the requirements of this principle and the relative code provisions.

The Board is composed of members who are fit and proper to direct the business of the Company with honesty, competence and integrity. All the members of the Board are fully aware of, and conversant with, the statutory and regulatory requirements connected to the business of the Company. The Board is accountable for its performance and that of its delegates too.

The Board is responsible for determining the Company's strategic aims and organisational structure, whilst ensuring that the Company has the appropriate mix of financial and human resources to meet its objectives and improve its performance. Throughout the period under review, the Board provided the necessary leadership in the overall direction of the Company and has adopted prudent and effective systems whereby it obtains timely information from the Chief Executive Officer (the "CEO") as the head of the Executive Committee to ensure an open dialogue between the CEO and directors at regular intervals and not only at meetings of the Board.

The Company has a structure that ensures a mix of Executive and Non-Executive Directors that enables the Board, and particularly the Non-Executive Directors to have direct information about the Company's performance and business activities from the head of executive management that is also a director on the Board.

Principle Two: Chairman and Chief Executive Officer

In line with the requirements of Principle Two, the Company has segregated the functions of the CEO and the Chairman. Whilst the CEO heads the Executive Committee, the Chairman's main function is to lead the Board and set its agenda. The Chairman is also responsible to ensure that the Board receives precise, timely and objective information so that the directors can take sound decisions and effectively monitor the performance of the Company. The Chairman exercises independent judgement and ensures that, during Board meetings, there is effective communication with stakeholders as well as active engagement by all directors for the discussion of complex and/or contentious issues.

The CEO is accountable to the Board of the Company for all business operations. He has the power and authority to appoint the persons to fill in the post of each member of the Executive Committee. He also has the discretion to ask any one or more of such members, from time to time, to address the Board on matters relating to the operations of the Company and its Subsidiaries. The Board, of course, is entitled to call in, at its discretion, any one or more of the executives of the Company.

Principle Three: Composition of the Board

The full complement of the Board, in line with Principle Three is of five (5) Non-Executive Directors and three (3) Executive Directors, a balance that is entrenched in the Company's Memorandum and Articles of Association, which requires that the CEO is an ex ufficio director together with a maximum of two (2) other senior executives of the Company. The presence of top executives on the Board is designed to ensure that all the members of the Board, including Non-Executive Directors, have direct access at meetings of directors to the individuals having the prime responsibility for day-to-day operations and executive management of the Company and to the implementation of policies that allow effective discussion and the availability of all the information necessary to carry out their functions in the best possible manner.

The members of the Board for the year under review were:

Director	Title	Director since
Mr Nikolaus Gretzmacher	Chairman & Non-Executive Director	2012
Ms Rita Heiss	Non-Executive Director	2015
Dr. Cory Greenland	Non-Executive Director	2015
Dr. Wolfgang Koeberl	Non-Executive Director	2016
Mr Florian Nowotny	Non-Executive Director	2017
Mr Alan Borg	CEO and Executive Director	2012
Mr Karl Dandler	CFO and Executive Director	2014

Pursuant to generally accepted practices, as well as the Company's Articles of Association, the appointment of directors to the Board is reserved exclusively to the Company's shareholders, except in so far as an appointment is made to fill a vacancy on the Board.

The Board normally meets every eight (8) weeks and as a matter of Board policy, a guideline was established whereby at its first meeting, meetings are scheduled for the full year. Board meetings concentrate mainly on strategy, operational performance and financial performance. The Board also delegates specific responsibilities to the CEO and the Committees, notably the Executive Committee and the Audit Committee which operate under their respective formal terms of reference. Directors may, in the furtherance of their duties, take independent professional advice on any matter at the Company's expense.

For the purposes of Code Provision 3.2, requiring the Board to report on whether it considers each Non-Executive Director as independent in line with the requirements of that Code Provision, the Board considers each of the Non-Executive Directors as independent within the meaning of the Code.

Save for what is stated hereunder, none of the Non-Executive Directors:

a) are or have been employed in any capacity by the Company;
b) have or have had a significant direct or indirect relationship with the Company;
c) receive significant additional remuneration from the Company;
d) have close family ties with any of the executive members of the Board;
e) have served on the Board for more than twelve consecutive years;
f) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditor of the Company or any Company forming part of the same group; and
g) have a significant business relationship with the Company.

Mr Nikolaus Gretzmacher and Ms Rita Heiss (Non-Executive Directors) are currently members of the Board of Directors of Malta Mediterranean Link Consortium Limited, a Company holding 40 per cent of the issued and voting capital of the Company, and, together with Dr. Wolfgang Koeberl are also employees of Flughafen Wien AG, the Company's ultimate parent company. Notwithstanding the above relationship, the Board still considers Mr Gretzmacher, Ms Heiss and Dr Koeberl as having the required skills, experience and integrity to retain their impartiality in acting as directors of the Company.

In terms of Principle 3.4, every Non-Executive Director has declared in writing to the Board that he/she undertakes:

- to maintain in all circumstances his/her independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
- to clearly express his/her opposition in the event that he/she finds that a decision of the Board may harm the Company.

Principle Four: The Responsibilities of the Board

In line with the requirements of Principle Four, it is the Board's responsibility to ensure a system of accountability, monitoring, strategy formulation and policy development.

The Board believes that this responsibility includes the appropriate delegation of powers to management and the organisation of the executive team in a manner that is designed to provide high levels of comfort to the directors that there is proper monitoring and accountability apart from appropriate implementation of policies. The Board delegates specific responsibilities to committees, which operate under their respective formal Terms of Reference.

Executive Committee

The Board's link to the Executive Committee is principally the CEO, together with the other Executive Director on the Board, both of whom are members of the Executive Committee.

The Executive Committee comprises the Executive Directors and the heads of every business unit of the Group. The role of the Executive Committee is to implement the Company`s strategy and policies, through the various departments within the organisation. It also makes recommendations to the Board on matters which are beyond its remit. The CEO chairs the Executive Committee.

The members of the Committee for the period under review were:

Name	Title
Mr Alan Borg	Chief Executive Officer
Mr Karl Dandler	Chief Financial Officer
Ing. Martin Dalmas	Airport Operations and Business Continuity
Mr George Mallia	Retail and Property
Mr Ian Maggi	Innovation and Technology
Mr Patrick Murgo	Security Services
Ms Tina Lombardi	Human Resources and Strategy
Ms Kristina Borg Cardona	Marketing and Communications
Mr Alex Cardona	Traffic Development and Customer Services
Ing. Ivan Zahra	Projects
Ing. Kevin Alamango	Technical Services

The Executive Committee has met 37 times during the year under review.

Other Cross-Functional Committees

The Company has also established three cross-functional Committees, the Corporate Responsibility (CR) Committee, the Customer Experience (CE) Committee and the Finance Committee (FC), which meet on a regular basis.

The CR Committee is responsible for the Company's internal CR policy and strategy including the respective formulation and implementation thereof.

The CE Committee systematically deals with how to improve the airport's customer experience with a special focus on user journeys, touch points, pain points and delighters ('wow' factors).

The Finance Committee (FC) analyses the financial information on a monthly and quarterly basis with a special focus on current and future income streams, cost drivers and margins to secure the sustainable growth of the Company.

The CEO chairs these cross-functional Committees and all meetings are minuted.

Audit Committee

As part of its corporate governance structures, the Company has an Audit Committee in line with the requirements of the Listing Rules. The principal roles of the Audit Committee are in line with the requirements of Listing Rule 5.127 and include the following:

- monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity;
- monitoring of the effectiveness of the Company's internal quality control and risk management system and, where applicable, its internal audit, regarding the financial reporting of the Company, without breaching its independence;
- monitoring of the audit of the annual and consolidated financial statements;
- reviewing additional reports prepared by the statutory auditor/s or audit firm/s;
- reviewing and monitoring the independence of the statutory auditors or the audit firms;
- taking responsibility for the procedure for the selection of statutory auditor/s or audit firm/s; and
- recommending the statutory auditor/s or the audit firm/s to be appointed.

During the year ended 31 December 2018 the Committee consisted of three (3) Non-Executive Directors, namely Mr Florian Nowotny, Ms Rita Heiss and Dr. Cory Greenland. The Committee has the power and authority under its Terms of Reference to summon any person to assist it in the performance of its duties. The directors believe that, during the year under review, Mr Florian Nowotny was independent and competent in accounting and/or auditing in terms of Listing Rule 5.117. Mr Nowotny is considered as competent in accounting and/or auditing in view of his qualifications and experience.

When the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on the action needed to address the issue or make improvements. In the period under review the Audit Committee has held seven meetings.

Company Executives participate in periodic strategic reviews, which include consideration of long-term projections and the revaluation of the business objectives in the short term. Regular budgets and strategic plans are prepared, which are incorporated into a comprehensive strategic plan for the Company. Performance against these plans is actively monitored and reported to the Board using key risk and performance indicators so that corrective measures can be taken to address any deficiencies and to ensure the future sustainability of the Company. These key risk and performance indicators are benchmarked against industry norms so that the Company's performance can be effectively evaluated.

In view of the number of members of the Board, the directors believe that its size is manageable to be able to address most issues as a Board rather than create sub-committees of the Board that may be more suitable in the case of companies having larger Boards. Indeed, the Board feels that its size and membership allows directors the opportunity to discuss matters directly and that this is a more effective and efficient manner to conduct its business.

The directors, however, are aware that there may be situations that require the delegation to certain committees of certain tasks or assignments and the Board has on occasion composed ad hoc committees for this purpose.

Notwithstanding that the Board has established no formal policy on the matter, as part of succession planning, the Board and CEO ensure that the Company implements appropriate schemes to recruit, retain and motivate employees and senior management.

In ensuring compliance with other statutory requirements and with continuing listing obligations, the Board is advised directly, as appropriate, by its appointed broker, legal advisor and external auditors. The Board also ensures that appropriate policies and procedures are in place to assure that the highest standards of corporate conduct are maintained.

Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities at the Company's expense.

Principle Five: Board Meetings

The Board believes that it complies fully with the requirements of this Principle and the relative Code Provisions, in that it has systems in place to ensure the reasonable notice of meetings of the Board and the circulation of discussion papers in advance of meetings so as to provide adequate time for directors to prepare themselves for such meetings. Minutes are prepared during Board meetings, recording faithfully attendance, discussions and resolutions. These minutes are subsequently circulated to all directors as soon as practicable after the meeting.

The Board meets as often and as frequently as required in line with the nature and demands of the business of the Company. During the financial year under review the Board held six meetings:

Director	Attendance Board Meetings
Mr Nikolaus Gretzmacher	5 / 6
Ms Rita Heiss	6 / 6
Dr. Cory Greenland	5 / 6
Dr. Wolfgang Koeberl	6 / 6
Mr Florian Nowotny	6 / 6
Mr Alan Borg	6 / 6
Mr Karl Dandler	6 / 6

The Chairman ensures that all relevant issues are on the agenda and supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all directors every opportunity to contribute to relevant issues on the agenda. The agenda of the Board strikes a balance between long-term strategic and short-term performance issues.

Directors attend meetings on a frequent and regular basis and dedicate the necessary time and attention to their duties as directors of the Company.

Principle Six: Information and Professional Development

The CEO is appointed by the directors and enjoys the full confidence of the Board. The CEO, although responsible for the selection of the Executive Committee and the recruitment of senior executives, regularly updates the directors on the appointment of senior executives. The Board is satisfied that the current schemes for executive compensation are designed to render the Company an attractive proposition for the retention of top executives within the Company and to motivate the Executive Committee.

The Board intends to organise other professional development sessions for directors and executives designed specifically to enable them to discharge their functions more efficiently and in line with the high standards expected of them.

Directors have access to the advice and services of the Company Secretary who is also the legal counsel to the Board and the Company. As part of succession planning and employee retention, the Board and CEO ensure that the Company implements appropriate schemes to attract, retain and develop the best talent and keep employees engaged and motivated.

Principle Seven: Evaluation of the Board's Performance

The Board has not appointed a committee for the purpose of undertaking an evaluation of the Board's performance in accordance with the requirements of Code Provision 7.1, but has conducted an informal review of its own performance over the period under review. Refer to the note under the Section on 'Non-Compliance with the Code'.

Principle Eight: Committees

A. Remuneration Committee

The Company has no performance-related remuneration payable to its Non-Executive Directors and accordingly, as allowed by Code Provision 8A.2, it has not appointed a Remuneration Committee, but rather the functions of such a Remuneration Committee are vested in the Board, which itself establishes the remuneration policies of the Company. The Non-Executive members of the Board establish the policies and decide on the performance related remuneration of its Executive Directors.

The Board notes that the organisational set-up of the Company and the size of the Board itself, together with the fact that Non-Executive Directors are not entitled to performance-related remuneration, does not, in the opinion of the directors, warrant the establishment of a Remuneration Committee. Remuneration policies have therefore been retained within the remit of the Board itself, and as already stated in the case of the Executive directors, it is the Non-Executive members of the Board that decide on their performance-related remuneration.

The directors believe that certain committees that are suggested in the Code are either not required by the Company, or the functions of a number of committees may efficiently be merged or undertaken by the Board itself. In addition, the Board believes that its size and composition is sufficient for the proper direction and management of the Company and its business and that there would be no value added to the Company and its shareholders to increase the number of Board members simply to be able to have separate committees of the Board – when the same functions can properly be undertaken by the Board itself. The directors will retain the need of such committees under review and as in the past, may appoint ad hoc committees of directors to deal with specific issues as and when these arise.

The aggregate amount of remuneration paid to all directors, including salaries paid to the CEO, and the CFO amount to EUR 666,974. For the purposes of the provisions of Article 63 of the Company's Articles of Association, the aggregate emoluments paid to the directors is EUR 363,156 which is within the amount approved by the shareholders of EUR 465,875 for the purpose of that article. The aggregate emoluments paid to the senior management amount to EUR 638,446.

B. Nomination Committee

The Board believes that the main principle has been duly complied with, in that it is the Articles of Association themselves that establish a formal and transparent procedure for the appointment of directors. The Company has, however, not established a Nomination Committee as suggested by the Code.

Principle Nine: Relations with Shareholders and with the Market

The Board serves the legitimate interests of the Company, accounts to shareholders fully and ensures that the Company communicates with the market effectively through a number of Company announcements, informing the market of significant events happening within the Company.

The Company also communicates with its shareholders through the Annual General Meeting (AGM), where the Board communicates directly with shareholders on the performance of the Company over the last financial year and informs shareholders of the challenges that lie ahead.

Business at the Company's AGM will cover the approval of the Annual Report and the audited Financial Statements, the declaration of a dividend, if any, the election of directors, the determination of the maximum aggregate emoluments that may be paid to directors, the appointment of auditors and the authorisation of the directors to set the auditors' remuneration. Any other matter that may be placed by the directors before the AGM will be dealt with as "Special Business".

Apart from the AGM, the Company has continued to communicate with its shareholders and the market by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year and through the directors' statements, which are also published on a six-monthly basis, and by Company announcements to the market in general. The Company recognises the importance of maintaining a dialogue with the market to ensure that its strategies and performance are well understood. The Company's website www.maltairport.com also contains information about the Company and its business, and is a source of further information to the market.

The Company's Articles of Association allow minority shareholders to call special meetings on matters of importance to the Company, provided that the minimum threshold of ownership established in the Articles of Association is met.

Principle Ten: Institutional Shareholders

This Principle is specifically applicable to the institutional shareholders of the Company and their responsibilities, including their evaluation of governance disclosures.

Principle Eleven: Conflicts of Interest

The Board has established procedures on how conflicts are to be handled, if and when they arise. A director having a personal conflict on any matter is bound to inform the other members of the Board of such a conflict whether it is an actual, potential or a perceived conflict. It is then the other members of the Board that would decide on whether there exists such a conflict, actual or potential. By virtue of the Memorandum and Articles of Association, in the event that, in the opinion of the Board such a conflict exists, then the conflicted director is invited to leave the meeting when it proceeds to the vote, if any, on the matter concerned. As a matter of practice, discussions of such matters are normally conducted in the absence of the conflicted director. The Board feels that this is a procedure that achieves compliance with both the letter and the rationale of Principle Eleven.

Commercial relationships between the Company and other companies may be related by way of common directors and shareholders ("Related Party Transactions"). Contracts are entered into in the ordinary course of business with shareholders and other parties in which the directors have a beneficial interest. Terms and conditions of contracts negotiated with related parties are reviewed by the Company's Audit Committee. Full disclosure of Related Party Transactions entered into during the financial year under review is made in Note 33 to the Financial Statements.

The following directors have declared their interests in the share capital of the Company:

- MR NIKOLAUS GRETZMACHER
  a non-beneficial interest [3]
- MS RITA HEISS
  a non-beneficial interest [4]
- DR. CORY GREENLAND
  a beneficial interest

No other director has a beneficial or non-beneficial interest in the Company's share capital.

Principle Twelve: Corporate Social Responsibility

The directors are committed to high standards of Corporate Responsibility namely in the social, economic and environmental fields both internally and externally. This is being done for the benefit of its key stakeholders which include its shareholders, employees, customers as well as the local community at large.

[3] These shares are held by MMLC and VIE Malta Limited, companies of which Mr Gretzmacher is a Director.
[4] These shares are held by MMLC and VIE Malta Limited, companies of which Ms Heiss is a Director.

Non-Compliance with Code Provisions

The directors set out below the code provisions with which they do not comply and a careful explanation as to the reasons for such non-compliance:

Code Provision	Explanation
2.1	Whilst the Company has segregated the functions of the Chairman and the CEO, in that the two posts are occupied by different persons, the division of responsibilities between them has not been established in writing, although there is significant experience and practice that determines the two roles.
4.2	The Board has not formally developed a succession policy for the future composition of the Board of Directors as recommended by Code Provision 4.2.7. In practice, however, the Board and CEO are actively engaged in succession planning and in ensuring that appropriate schemes to recruit, retain and motivate employees and senior management are in place.
4.3	Over the course of the year 2018 the Board has not organised any formal training sessions for directors.
7.1	The Board believes that the size of the Company and the Board itself does not warrant the establishment of a committee specifically for the purpose of carrying out a performance evaluation of its role. Whilst the requirement under Code Provision 7.1 might be useful in the context of larger companies having a more complex set-up and a larger Board, the size of the Board is such that it should enable it to evaluate its own performance without the requirement of setting up an ad hoc committee for this purpose. The Board shall retain this matter under review over the coming year. Having conducted an informal review of its own performance over the period under review, it is the Board's view that all members of the Board, individually and collectively, have contributed in line with the required levels of diligence and skill. In addition, the Board believes that its current composition endows the Board with a cross-section of skills and experience, not only with respect to the specific business of the Company, but also in a wider range of business areas and skills. This process was conducted by the Board itself rather than by a Committee chaired by a Non-Executive Director as required by the Code.
8B	The Board has not appointed a Nominations Committee in line with Code Provision 8B, particularly in the light of the specific manner in which the Articles of Association require that Non-Executive Directors be appointed by a shareholding qualification to the Board. The Executive Directors are, in accordance with the Articles, appointed by the Non-Executive Directors after their appointment, as aforesaid. The Board believes that the current Articles of Association do not allow the Board itself to make any recommendations to the shareholders for appointments of directors and that if this function were to be undertaken by the Board itself or a Nomination Committee, they would only be able to make a non-binding recommendation to the shareholders having the necessary qualification to appoint directors pursuant to the Articles of Association. The Board intends to keep under review the utility and possible advantages of having a Nomination Committee and following an evaluation may, if the need arises, make recommendations to the shareholders for a change to the Articles of Association.

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE (CONTINUED)

Code Provision	Explanation
9.3	The Memorandum and Articles of Association do not provide any mechanism for the resolution of conflicts between shareholders or any process that would trigger arbitration in these instances. This is mitigated by ongoing open dialogue between executive management and Non-Executive Directors of the Company, to ensure that such conflicts do not arise.
9.4	The Company does not have a policy in place to allow minority shareholders to present an issue to the Board.

Internal Control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against normal business risks or loss.

Through the Audit Committee, the Board reviews the effectiveness of the Company's system of internal controls, which are monitored by the Internal Auditors on a regular basis.

The key features of the Company's system of internal control are as follows:

Organisation
The Company operates through the CEO and Executive Committee with clear reporting lines and delegation of powers.

Control Environment
The Company is committed to standards of business conduct and/or ethics that emulate best practice and seeks to maintain these standards across all of its operations. Company policies and employee procedures are in place for the reporting and resolution of improper activities.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Company objectives.

Risk Identification
Company management is responsible for the identification and evaluation of key risks applicable to their respective areas of business. A Risk Management Committee serves as a primary champion of risk management at a strategic and operational level to ensure that a sound system is in place that identifies, assesses, manages and monitors risk. In addition, through regular checks the internal auditors test the Company's internal control systems and processes and make recommendations to management and the Audit Committee on any deficiency in such systems.

General Meetings

The general meeting is the highest decision-making body of the Company and is regulated by the Company's Articles of Association. All shareholders registered on the register of members of the Company on a particular record date are entitled to attend and vote at general meetings. A general meeting is called by twenty-one (21) days' notice.

At an Annual General Meeting what is termed as "ordinary business" is transacted, namely, the declaration of a dividend, the consideration of the accounts, balance sheets and the reports of the directors and the auditors, the election of directors, the appointment of auditors and the fixing of remuneration of directors and auditors. Other business which may be transacted at a general meeting (including at the Annual General Meeting) will be dealt with as "Special Business".

Voting at any general meeting takes place by a show of hands or a poll where this is demanded. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every shareholder is entitled to one vote and on a poll every shareholder is entitled to one vote for every share carrying voting rights of which he/she is a holder.

Shareholders who cannot participate in the general meeting may appoint a proxy by written or electronic notification to the Company. Appointed proxy holders enjoy the same rights to participate in the general meeting as those to which the shareholder they represent is entitled. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to the items on the agenda of the general meeting and to have such questions answered by the directors or such persons as the directors may delegate for such purpose.

The Statement of Directors' Responsibilities for preparing the Financial Statements is set out on page 90.

The information required by Listing Rule 5.97.5 is found in the Directors' Report.

Approved by the Board of Directors on 20 February 2019 and signed on its behalf by:

Nikolaus Gretzmacher
CHAIRMAN

Alan Borg
CHIEF EXECUTIVE OFFICER

Karl Dandler
CHIEF FINANCIAL OFFICER

Income Statements

YEAR ENDED 31 DECEMBER 2018

		The Group		The Company	
(in EUR)	Notes	2018	2017	2018	2017
Revenue	6	**92,191,719**	82,369,154	**88,056,060**	78,447,361
Staff costs	11	**(9,747,167)**	(8,045,386)	**(9,521,138)**	(7,809,575)
Other operating expenses	9	**(28,014,126)**	(25,750,264)	**(27,350,959)**	(24,980,075)
Depreciation	14/15	**(7,384,403)**	(7,410,628)	**(6,494,396)**	(6,515,045)
Release of deferred income arising on the sale of terminal buildings and fixtures	24	**208,765**	208,765	**208,765**	208,765
Investment income	7	**(7,021)**	4,406	**395,541**	118,690
Finance Cost	8	**(148,915)**	(3,808,536)	**(139,212)**	(342,542)
Profit before tax		**47,098,852**	**37,567,511**	**45,154,661**	**39,127,579**
Income tax expense	12	**(16,763,212)**	(13,417,031)	**(16,069,342)**	(13,948,206)
Profit for the year attributable to the ordinary equity holders of the Company, net of tax		**30,335,640**	**24,150,480**	**29,085,319**	**25,179,373**
Earnings per share attributable to the ordinary equity holders of the Company	30	**0.224**	**0.178**	**0.215**	**0.186**

Statements of Comprehensive Income

YEAR ENDED 31 DECEMBER 2018

		The Group		The Company	
(in EUR)	Notes	2018	2017	2018	2017
Profit for the year attributable to the ordinary equity holders of the Company, net of tax		**30,335,640**	24,150,480	**29,085,319**	25,179,373
Items that may be reclassified subsequently to profit or loss:					
Net gain on available-for-sale financial assets	17	**-**	3,930	**-**	3,930
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gains on defined benefit pension plans	25/26	**47,805**	-	**47,805**	-
Deferred tax credit	12	**(16,732)**	-	**(16,732)**	-
Other comprehensive income for the year attributable to the ordinary equity holders of the Company, net of tax		**31,073**	**3,930**	**31,073**	**3,930**
Total comprehensive income for the year attributable to the ordinary equity holders of the Company, net of tax		**30,366,713**	**24,154,410**	**29,116,392**	**25,183,303**

Statements of Financial Position

31 DECEMBER 2018

(in EUR)	Notes	The Group 2018	The Group 2017	The Company 2018	The Company 2017
ASSETS					
Property, plant and equipment	14	**107,711,631**	105,864,394	**106,143,034**	105,557,361
Investment property	15	**15,874,085**	16,656,702	**-**	-
Investment in subsidiaries	16	**-**	-	**2,004,800**	2,004,800
Other investments	17	**-**	107,578	**-**	107,578
Loans receivable	18	**-**	-	**17,507,198**	17,216,372
Deferred tax assets	19	**5,085,728**	5,545,043	**3,995,804**	4,318,996
Non-current assets		**128,671,444**	**128,173,717**	**129,650,836**	**129,205,107**
Inventories	20	**884,352**	891,511	**884,352**	891,511
Loans receivable	18	**-**	-	**1,290,720**	1,146,943
Trade and other receivables	21	**20,002,906**	15,383,372	**19,794,115**	14,276,473
Cash and cash equivalents	29	**20,253,186**	38,401,907	**18,553,003**	36,969,444
Current assets		**41,140,444**	**54,676,790**	**40,522,190**	**53,284,371**
Total Assets		**169,811,888**	**182,850,507**	**170,173,026**	**182,489,478**

Statements of Financial Position

31 DECEMBER 2018

(CONTINUED)

(in EUR)	Notes	The Group 2018	The Group 2017	The Company 2018	The Company 2017
EQUITY AND LIABILITIES					
Equity attributable to ordinary equity holders of the Company					
Share capital	27	**33,825,000**	33,825,000	**33,825,000**	33,825,000
Other reserve	28	**1,130,817**	1,179,462	**1,130,817**	1,179,462
Fair value reserve	28	**-**	30,973	**-**	30,973
Retained earnings		**77,655,440**	60,712,916	**78,471,906**	62,779,703
Total Equity		**112,611,257**	**95,748,351**	**113,427,723**	**97,815,138**
Bank loan	23	**-**	31,147,638	**-**	29,510,101
Deferred income	24	**5,127,504**	5,371,367	**5,013,539**	5,272,550
Provision for retirement benefit plan	25	**3,906,809**	4,408,590	**3,906,809**	4,408,590
Provision for MIA benefit fund	26	**250,638**	222,989	**250,638**	222,989
Non-current liabilities		**9,284,951**	**41,150,584**	**9,170,986**	**39,414,230**
Bank loan	23	**-**	1,868,923	**-**	1,781,423
Trade and other payables	22	**46,575,104**	40,576,934	**46,371,354**	40,139,557
Current tax liabilities		**1,340,576**	3,505,715	**1,202,963**	3,339,130
Current liabilities		**47,915,680**	**45,951,572**	**47,574,317**	**45,260,110**
Total Liabilities		**57,200,631**	**87,102,156**	**56,745,303**	**84,674,340**
Total Equity and Liabilities		**169,811,888**	**182,850,507**	**170,173,026**	**182,489,478**

These financial statements were approved and authorised for issue by the Board of Directors on 20 February 2019 and signed on its behalf by:

Nikolaus Gretzmacher
CHAIRMAN

Alan Borg
CHIEF EXECUTIVE OFFICER

Karl Dandler
CHIEF FINANCIAL OFFICER

Statements of Changes in Equity

YEAR ENDED 31 DECEMBER 2018

Equity attributable to ordinary equity holders of the Company

The Group (in EUR)	Share capital	Other reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2017	**33,825,000**	**1,228,107**	**27,043**	**50,017,598**	**85,097,748**
Profit for the year	-	-	-	24,150,480	24,150,480
Other comprehensive income	-	-	3,930	-	3,930
Total comprehensive income for the year	-	-	3,930	24,150,480	24,154,410
Difference for historical depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax (Note 19)	-	26,193	-	-	26,193
Dividends (Note 13)	-	-	-	(13,530,000)	(13,530,000)
Balance at 31 December 2017	**33,825,000**	**1,179,462**	**30,973**	**60,712,916**	**95,748,351**
Balance at 1 January 2018 (as previously reported)	**33,825,000**	**1,179,462**	**30,973**	**60,712,916**	**95,748,351**
Adjustment on initial application of IFRS 9 (Note 4)	-	-	(30,973)	30,973	-
Adjusted balance at 1 January 2018	**33,825,000**	**1,179,462**	**-**	**60,743,889**	**95,748,351**
Profit for the year	-	-	-	30,335,640	30,335,640
Other comprehensive income	-	-	-	31,073	31,073
Total comprehensive income for the year	-	-	-	30,366,713	30,366,713
Difference for historical depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax (Note 19)	-	26,193	-	-	26,193
Dividends (Note 13)	-	-	-	(13,530,000)	(13,530,000)
Balance at 31 December 2018	**33,825,000**	**1,130,817**	**-**	**77,655,440**	**112,611,257**

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Statements of Changes in Equity

YEAR ENDED 31 DECEMBER 2018

Equity attributable to ordinary equity holders of the Company

The Company (in EUR)	Share capital	Other reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2017	**33,825,000**	**1,228,107**	**27,043**	**51,055,492**	**86,135,642**
Profit for the year	-	-	-	25,179,373	25,179,373
Other comprehensive income	-	-	3,930	-	3,930
Total comprehensive income for the year	-	-	3,930	25,179,373	25,183,303
Difference for historical depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax (Note 19)	-	26,193	-	-	26,193
Dividends (Note 13)	-	-	-	(13,530,000)	(13,530,000)
Balance at 31 December 2017	**33,825,000**	**1,179,462**	**30,973**	**62,779,703**	**97,815,138**
Balance at 1 January 2018 (as previously reported)	**33,825,000**	**1,179,462**	**30,973**	**62,779,703**	**97,815,138**
Adjustment on initial application of IFRS 9 (Note 4)	-	-	(30,973)	30,973	-
Adjusted balance at 1 January 2018	**33,825,000**	**1,179,462**	**-**	**62,810,676**	**97,815,138**
Profit for the year	-	-	-	29,085,319	29,085,319
Other comprehensive income	-	-	-	31,073	31,073
Total comprehensive income for the year	-	-	-	29,116,392	29,116,392
Difference for historical depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax (Note 19)	-	26,193	-	-	26,193
Dividends (Note 13)	-	-	-	(13,530,000)	(13,530,000)
Balance at 31 December 2018	**33,825,000**	**1,130,817**	**-**	**78,471,906**	**113,427,723**

Statements of Cash Flows

YEAR ENDED 31 DECEMBER 2018

(in EUR)	Notes	The Group 2018	The Group 2017	The Company 2018	The Company 2017
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		**47,098,852**	**37,567,511**	**45,154,661**	**39,127,579**
Adjustments for:					
Depreciation	14/15	7,384,403	7,410,628	6,494,396	6,515,045
Investment income/(loss)	7	7,021	(4,406)	(395,541)	(118,690)
Finance cost	8	148,915	3,808,536	139,212	342,542
Loss/(gain) on sale of property, plant and equipment		-	(7,670)	-	(7,670)
Release of deferred income arising on the sale of the terminal building and fixtures	24	(208,765)	(208,765)	(208,765)	(208,765)
Amortisation of grants	24	(102,007)	(102,007)	(102,007)	(102,007)
Provision for retirement benefit plan	25	45,020	42,650	45,020	42,650
Provision for MIA benefit plan	26	28,979	16,353	28,979	16,353
Provision for impairment of trade receivables	21	18,157	7,907	40,578	7,907
		54,420,575	**48,530,737**	**51,196,533**	**45,614,944**
Working capital movements:					
Movement in inventories	20	7,159	(57,068)	7,159	(57,068)
Movement in trade and other receivables	21	(4,519,100)	(516,986)	(5,439,629)	(426,878)
Movement in trade and other payables	22	5,998,170	11,080,603	6,231,797	11,302,031
Cash flows from operations		**55,906,804**	**59,037,287**	**51,995,860**	**56,433,029**
Interest paid	8	(148,915)	(3,808,536)	(139,212)	(342,542)
Income taxes paid		(18,425,846)	(12,509,432)	(17,839,129)	(11,896,790)
Retirement benefit paid	25	(500,326)	(17,300)	(500,326)	(17,300)
Net cash flows from operating activities		**36,831,717**	**42,702,018**	**33,517,193**	**44,176,397**

FINANCIAL STATEMENTS

Statements of Cash Flows

YEAR ENDED 31 DECEMBER 2018

(CONTINUED)

(in EUR)	Notes	The Group 2018	The Group 2017	The Company 2018	The Company 2017
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipt of deposit from tenant	24	15,146	14,313	-	-
Payments for property, plant and equipment	14	(8,433,656)	(13,790,643)	(7,080,069)	(13,759,492)
Payments for investment property	15	(15,367)	(224,402)	-	-
Proceeds from sale of property, plant & equipment	14	-	7,670	-	7,670
Payments for intracompany loans	18	-	-	(1,725,323)	(13,763,315)
Repayments of intracompany loans	18	-	-	1,290,720	-
Interest received	7	-	4,161	402,562	118,690
Net cash flows used in investing activities		**(8,433,877)**	**(13,988,901)**	**(7,112,110)**	**(27,396,447)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of bank loans	23	(33,016,561)	(13,331,423)	(31,291,524)	(1,781,423)
Dividends paid	13	(13,530,000)	(13,530,000)	(13,530,000)	(13,530,000)
Net cash flows used in financing activities		**(46,546,561)**	**(26,861,423)**	**(44,821,524)**	**(15,311,423)**
Net movement in cash and cash equivalents		**(18,148,721)**	**1,851,695**	**(18,416,441)**	**1,468,526**
Cash and cash equivalents at the beginning of the year		**38,401,907**	**36,550,212**	**36,969,444**	**35,500,917**
Cash and cash equivalents at the end of the year	29	**20,253,186**	**38,401,907**	**18,553,003**	**36,969,444**

Notes to the Financial Statements

1. Reporting entity

The Company is a public company whose shares are publicly listed and traded on the Malta Stock Exchange. The Company's registration number is C12663, the country of incorporation is Malta and the Company's registered office is Malta International Airport, Luqa, Malta.

The principal activities of the Company are the development, operation and management of Malta's airport. On 11 February 2008, the Company set up a wholly-owned subsidiary, Sky Parks Limited, to take over the operations of the car park business. The name of this subsidiary was changed to Airport Parking Limited on 27 October 2009. Another subsidiary, Sky Parks Development Limited, was set up by the Company on 29 October 2009. The main activity of Sky Parks Development Limited is to manage real estate projects within the land which is currently under the management of the Group. Another subsidiary Sky Parks Business Centre Limited was set up by the Company on 26 April 2012. The principal activity of the subsidiary is to operate the Business Centre within the limits of the airport. On 20 June 2013, the Company set up another wholly-owned subsidiary, Kirkop PV Farm Limited. The main activity of this Company is to explore opportunities in the generation of electricity using photovoltaic technologies.

The Company and the subsidiaries are together referred to as 'the Group'.

2. Basis of preparation

Under the Companies Act, Cap. 386 of the Laws of Malta, the Company is required to present individual and consolidated financial statements. The financial statements of the Group and the Company have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value and are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and comply with the Companies Act, Cap. 386 of the Laws of Malta. The functional currency of the Company is the Euro which is also the presentation currency of the Group.

The consolidated financial statements comprise the financial statements of Malta International Airport p.l.c, and its subsidiaries, as mentioned in Note 1 above. For more details on the scope of consolidation see Note 40.

This is the first set of the Group's and the Company's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies from these new standards that are effective for the current year are described in Note 4.

As from the current year, the accounting policies are being included in Note 40 to enhance the users' understandability of these financial statements, while at the same time retaining the comparability of such financial statements to those presented in previous reporting periods.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Except as discussed below and in the remaining notes to the financial statements, the directors did not make any significant judgments in the process of applying the Company's and the Group's accounting policies which can significantly affect the amounts recognised in the consolidated and the individual financial statements and, at the end of the reporting period, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.1. SERVICE CONCESSION ARRANGEMENTS IN TERMS OF IFRIC 12

IFRIC 12 Service Concession Arrangements was endorsed by the EU for financial years beginning after 29 March 2009. The Interpretation, which is limited in scope, clarifies the accounting of service concession arrangements by private sector operators which provide public services on behalf of government or other public sector entities.

The Interpretation states that for arrangements falling within its scope, the infrastructure assets are not recognised as property, plant and equipment of the operator. Rather, depending on the terms of the arrangement, the operator will recognise:

(i) a financial asset (where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement); or

3.1. SERVICE CONCESSION ARRANGEMENTS IN TERMS OF IFRIC 12 (CONTINUED)

(ii) an intangible asset (where the operator's future cash flows are not specified, for example, where they will vary according to usage of the infrastructure asset); or

(iii) both a financial asset and an intangible asset where the operator's return is provided partially by a financial asset and partially by an intangible asset.

The Company and the Group's business activities and operations are governed under a 65-year concession which was granted by the Government in July 2002. The directors have conducted a detailed analysis to determine the applicability of IFRIC 12. Based on the Company's and the Group's proportion of regulated and unregulated activities, the directors have determined that the extent of unregulated business activities cannot be deemed as insignificant. Accordingly, the directors have concluded that IFRIC 12 does not apply to the Company and the Group.

3.2. LESSEE ACCOUNTING IN TERMS OF IAS 17

As further disclosed in Note 34, operating lease and related payments represent ground rents payable by the Company to Malita Investments plc (previously to the Government of Malta) on the temporary emphyteuses and the related aerodrome licence fee payable to the Government of Malta, with an original term of 58 to 65 years and periodic upward adjustments by a specified rate over the lease term for the amounts payable under the temporary emphyteusis. The lease expense on the temporary emphyteusis is allocated to commercial and non-commercial areas, being site areas with restricted access on the basis of the total surface area covered by the lease. The recognition of the lease expense in relation to the non-commercial areas is made on a systematic basis that is considered to be most representative of the time pattern of the expected benefit that the Group and the Company can reasonably be expected to reap from the use of that part of the leased asset over the lease term on the basis of passenger movements. This assessment is reviewed annually to determine whether the basis that is applied in allocating the lease expense over the lease term continues to be appropriate.

4. Application of new and revised IFRS

4.1. NEW AND REVISED IFRS EFFECTIVE FOR THE CURRENT YEAR

IFRS 15 – Revenue from Contracts with Customers

The Group and the Company have initially adopted IFRS 15 Revenue from Contracts with Customers (as amended in April 2016 by Clarifications to IFRS 15) in the current period from 1 January 2018. The standard was applied retrospectively using the cumulative effect method with the effects of initially applying this standard recognised in equity at the date of initial application at 1 January 2018. Accordingly, the comparative information for 2017 has not been restated and continues to be reported under IAS 18 Revenue. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. The significant accounting policies under IAS 18 continue to apply to the 2017 comparative figures.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. IFRS 15 introduces a five-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

Under this transition method, the Company and the Group have elected to apply this Standard retrospectively only to contracts that are not completed contracts at the date of initial application. A completed contract is a contract for which the entity has transferred all of the goods or services identified in accordance with IAS 11, IAS 18 and related interpretations.

IFRS 15 must be applied to all contracts with customers that the Group and the Company enter into, which can essentially be split into the following revenue streams:

- ***Regulated revenue*** comprises income from aviation services which arise from income from passenger services charges, security fees as well as aircraft landing and parking fees.
- ***Unregulated revenue*** consists of PRM charges, income from ground handling charges, certain car parking revenue, income from VIP services as well as meteorological services and other income.

4.1. NEW AND REVISED IFRS EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

IFRS 15 – Revenue from Contracts with Customers (CONTINUED)

The following contracts from which the Group and the Company derive revenue are exempted from the scope of IFRS 15:

- ***Revenue from Leases*** within the scope of IAS 17 Leases reflects all income from renting office, retail, food and beverage, and advertising space including commissions based on sales as well as income from renting car parks.

Apart from providing more extensive disclosures on the Group's and the Company's revenue transactions, the initial application of IFRS 15 does not have a material effect on the Group's and the Company's statement of financial position as at 1 January 2018 and on the Group's and the Company's accounting policies.

The details of the new significant accounting policies under IFRS 15 applicable during the current period and the nature and effect of the changes to previous accounting policies in relation to the Group's and the Company's revenue streams are set out in Note 40.

IFRS 9 – Financial Instruments

The Group and the Company have initially adopted IFRS 9 Financial Instruments (as revised in 2014) in the current period from 1 January 2018. The standard was applied retrospectively using the cumulative effect method with the effects of initially applying this standard recognised in equity at the date of initial application at 1 January 2018. Accordingly, the comparative information for 2017 has not been restated and continues to be reported under IAS 39 Financial Instruments: Recognition and Measurement. Additionally, the disclosure requirements resulting from the consequential amendments to IFRS 7 have not generally been applied to comparative information. The significant accounting policies under IAS 39 continue to apply to the 2017 comparative figures.

IFRS 9 replaces the existing requirements in IAS 39. IFRS 9 contains revised requirements for the classification and measurement of financial instruments, a new model of expected credit losses ('ECLs') to calculate impairment on financial assets, and new accounting requirements for general hedge accounting.

In accordance with the transitional provisions of the Standard, the Group and the Company have not applied the requirements of IFRS 9 to instruments that have already been derecognised as at 1 January 2018.

The impact of initially applying IFRS 9 on the Group's and the Company's equity line items as at 1 January 2018 was the following:

(in EUR)	Impact of adopting IFRS 9
FAIR VALUE RESERVE	
Reclassification of Other investments to FVTPL	-30,973
RETAINED EARNINGS	
Reclassification of Other investments to FVTPL	30,973

The Group and the Company do not designate any of their financial liabilities as at FVTPL upon initial recognition and accordingly the adoption of IFRS 9 has not had an effect on the Group's and the Company's accounting policies related to financial liabilities.

The Group and the Company do not designate any of their assets, liabilities or other items in a hedge relationship for accounting purposes and accordingly the changes introduced by IFRS 9 in this respect do not affect these financial statements.

The details of the new significant accounting policies under IFRS 9 applicable during the current period and the nature and effect of the changes to previous accounting policies in relation to the Group's and the Company's financial instruments are set out in Note 40.

Classification

In terms of IFRS 9, on initial recognition, a financial asset is classified as measured at either amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

The following tables explain the original classification and measurement categories under IAS 39 and the new classification and measurement categories under IFRS 9 for every class of the Group's and the Company's financial assets as at 1 January 2018:

4.1. NEW AND REVISED IFRS EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

IFRS 9 – Financial Instruments (CONTINUED)

The Group	Classification		Carrying Amounts	
Balance as at 1 January 2018	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Financial Assets (in EUR)				
Other investments	AfS	FVTPL	107,578	107,578
Trade and other receivables	LaR	AC	14,292,981	14,292,981
Cash at bank balances	LaR	AC	38,401,907	38,401,907
Total Financial Assets			**52,802,466**	**52,802,466**

The Company	Classification		Carrying Amounts	
Balance as at 1 January 2018	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Financial Assets (in EUR)				
Other investments	AfS	FVTPL	107,578	107,578
Trade and other receivables	LaR	AC	13,887,287	13,887,287
Cash at bank balances	LaR	AC	36,969,444	36,969,444
Loans receivable	LaR	AC	18,363,315	18,363,315
Total Financial Assets			**69,327,624**	**69,327,624**

The following tables explain the original classification and measurement categories under IAS 39 and the new classification and measurement categories under IFRS 9 for every class of the Group's and the Company's financial liabilities as at 1 January 2018:

The Group	Classification		Carrying Amounts	
Balance as at 1 January 2018	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Financial Liabilities (in EUR)				
Bank loans	AC	AC	33,016,561	33,016,561
Trade and other payables	AC	AC	9,868,684	9,868,684
Total Financial Liabilities			**42,885,245**	**42,885,245**

The Company	Classification		Carrying Amounts	
Balance as at 1 January 2018	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Financial Liabilities (in EUR)				
Bank loans	AC	AC	31,291,524	31,291,524
Trade and other payables	AC	AC	9,882,649	9,882,649
Total Financial Liabilities			**41,174,173**	**41,174,173**

4.1. NEW AND REVISED IFRS EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

IFRS 9 – Financial Instruments (CONTINUED)

The effects resulting from the initial application of IFRS 9 are outlined below:

- ***Other investments:*** This asset, which was classified as available-for-sale under IAS 39, is classified as FVTPL under IFRS 9, with further disclosures being provided in Note 17. There was no change in the carrying amount of this instrument at 1 January 2018 as a result of the new classification.

On transition at 1 January 2018, the change in classification results in a reclassification of EUR 30,973 within equity, from the fair value reserve to retained earnings, as illustrated in the table on the previous page.

- ***Trade and other receivables, cash at bank and loans receivable:*** These were classified as loans and receivables (LaR) under IAS 39 and are classified as financial assets measured at amortised cost under IFRS 9.

These financial assets continue to be measured at amortised cost and, therefore, there are no reclassification effects due to the initial application of IFRS 9.

In accordance with the transitional provisions of IFRS 9, the Group and the Company assessed the business model in which these financial assets are held on the basis of the facts and circumstances at 1 January 2018 and the resulting classification is being applied retrospectively irrespective of the business model in prior reporting periods.

These financial assets are required to be tested for impairment in terms of IFRS 9. The effect of the initial adoption of IFRS 9 on the loss allowance is explained below.

Measurement and Recognition of ECLs

In terms of IFRS 9, the Group and the Company apply an ECL model as opposed to an incurred credit loss model under IAS 39.

ECLs are determined by means of a three-stage model for impairment (the general approach) based on changes in credit risk since initial recognition.

- **Stage 1** includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month ECLs (12m-ECLs) are recognised. 12m-ECLs are the ECLs that result from default events that are possible within 12 months after the reporting date.

- **Stage 2** includes financial instruments that have had a significant increase in credit risk since initial recognition - unless they have low credit risk at the reporting date - but that do not have objective evidence of impairment. For these assets, lifetime ECLs (LT-ECLs) are recognised. LT-ECLs are the ECLs that result from all possible default events over the expected life of a financial asset.

- **Stage 3** includes financial assets that have objective evidence of impairment at the reporting date. For these assets, LT-ECLs are recognised. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

As detailed in Note 40, the Group and the Company measure loss allowances under IFRS 9 according to the three-stage model (the general approach) except for trade receivables and contract assets that do not contain a significant financing component or for which the IFRS 15 practical expedient for contracts that are one year or less is applied, for which the Group applies the simplified approach and recognises LT-ECLs.

In accordance with the transitional provisions of IFRS 9, for cash at bank and loans receivable, the Company used reasonable and supportable information that was available without undue cost or effort to determine the credit risk of these financial assets at the date these were initially recognised and compared that to the credit risk at 1 January 2018, taking into consideration the low credit risk exemption and the 30 days past due rebuttable presumption, to the extent applicable.

There was no change to the loss allowance at 1 January 2018 as a result of the new impairment model in terms of IFRS 9, as further explained below.

Impairment of Trade and other receivables

As disclosed above, the Group applies the simplified approach for trade receivables and contract assets that do not contain a significant financing component. Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets.

4.1. NEW AND REVISED IFRS EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

IFRS 9 – Financial Instruments (CONTINUED)

Where the Group does not have reasonable and supportable information that is available without undue cost or effort to measure LT-ECLs on an individual instrument basis and in order to ensure that LT-ECLs are recognised before an asset becomes credit-impaired or an actual default occurs, LT-ECLs on the remaining financial assets are measured on a collective basis. In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the LT-ECLs are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The Group's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

The resulting difference in the loss allowance as a result of the initial application of IFRS 9 was not considered to be material and, thus, the opening balance at 1 January 2018 was not adjusted.

Impairment of Cash at bank balances

As cash at bank balances are demand deposits, a 1-day probability of default (1d-PD) has been applied, based on the respective external ratings of the counterparty banks and an adequate loss given default (LGD) rate to the carrying amount at the measurement date.

Currently the Group holds its cash at bank balances with reputable and investment grade rated banking institutions (1 January 2018: BBB+ by Standard & Poor's and BBB by Fitch, 31 December 2018: BBB by Standard & Poor's and BBB by Fitch) and accordingly, on the basis of the low credit risk exemption, the resulting 12m-ECLs in terms of IFRS 9 were not considered to be material.

Impairment of Loans receivable

The Company determined that the loans did not result in a significant increase in credit risk at 1 January 2018 and 31 December 2018, as compared to the risk of default on initial recognition and accordingly that a 12m-ECL applies.

On the basis of the expected manner of recovery of the loans and the possible alternative strategies available to the borrower, the Company concluded that full recovery is expected, taking into consideration the financial position of the respective counterparty and, where applicable, forward-looking information that addresses the future prospects of the industries in which the borrower operates and information that relates to the borrower's core operations.

Consequently, the resulting 12m-ECLs in terms of IFRS 9 were not considered to be material for such loans receivable.

4.2. NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

At the date of the approval of these financial statements, a number of International Financial Reporting Standards were either not yet endorsed by the EU or were not yet applicable to the Group and the Company.

In relation to other IFRS that are not included below and that are in issue at the date of authorisation of these financial statements but not yet effective, the Board of Directors anticipates that their adoption will have no material impact on the financial statements of the Group and the Company in the period of initial application.

IFRS 16 – Leases

IFRS 16 Leases, which was issued on 13 January 2016, brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains substantially unchanged (except for a requirement to provide enhanced disclosures) and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 Leases and related interpretations.

IFRS 16 is effective for periods beginning on or after 1 January 2019. Early application is permitted for

4.2. NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 16 – Leases (CONTINUED)

companies that also apply IFRS 15. The Standard has been endorsed by the EU at the date of authorisation of these financial statements. Given the significance of the Group's and the Company's leasing transactions, the Board is giving due attention to this Standard.

The Group and the Company are both lessors and lessees and have chosen the modified retrospective application of IFRS 16 with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to equity. Consequently, the Group and the Company will not restate the comparative information.

Leases in which the Group or the Company are lessors
In view of the fact that lessor accounting under the IFRS 16 remains largely unchanged, the Group and the Company as lessors do not anticipate significant changes to current classification and accounting.

Leases in which the Group or the Company are lessees
Leases in which the Group or the Company are lessees will be subject to significant adjustments. These adjustments will lead to an increase in total assets and total liabilities at the date of transition as a result of the recognition of right-of-use assets and corresponding lease liabilities. The Group and the Company have chosen to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised immediately before the date of initial application.

The introduction of IFRS 16 will also result in significant changes to the profit and loss section of the Company's and the Group's Statements of Comprehensive Income. While the total amount of expenses charged over the term of the lease remains the same, the distribution of such expenses over time and the breakdown of the respective line items in profit and loss will change. Under IAS 17, the expenses for operating leases are recognised within other operating expenses in accordance with the Group's and the Company's accounting policy for operating leases. Under IFRS 16 – as is already the case for finance leases – the respective impact in profit and loss is broken down into interest expense and depreciation. As the interest expense is calculated by applying the effective interest method and fluctuates over the term of the lease, but depreciation is recognised on a straight-line basis, the expense shifts forward to the early periods of the term. Under IFRS 16, the interest expense is presented within finance costs and thus below operating income and expenses, thus resulting in an increase in EBIT and an even greater increase in EBITDA.

In the Statement of Cash Flows there is a shift out of cash flows from operating activities and into financing activities, as the repayment of the principal portion of the lease liabilities will be presented within cash flows from financing activities.

Based on the assessments conducted, the Group and the Company estimate that additional right-of-use assets and corresponding lease liabilities of EUR 52 million will be recognised as at 1 January 2019. Additionally, an amount of EUR 32 million, which mainly represents the amount as at that date of the prepaid lease payment in relation to the lease of the land held on temporary emphyteusis will be reclassified in the Statement of Financial Position from property, plant and equipment to right-of-use assets. This will result in total right-of-use assets of EUR 84 million as at 1 January 2019.

The lease liability of EUR 6.7 million recognised in respect of operating lease expenses under IAS 17, and the corresponding deferred tax asset of EUR 2.3 million, will be derecognised as at 1 January 2019 with a resulting credit entry of EUR 4.4 million in retained earnings. The impact on profit or loss in 2019 will be a reduction of other operating expenses by EUR 2.2 million and increases of depreciation and interest expense by EUR 1.1 million and EUR 2.1 million, respectively. The Statement of Cash Flows will see a reduction of cash flows from operating activities by EUR 0.4 million and an increase in cash flows from financing activities by the same amount.

The above effect analysis is primarily in relation to ground rents payable by the Company to Malita Investments plc (previously to the Government of Malta) on the temporary emphyteuses and the related aerodrome licence fee payable to the Government of Malta.

IAS 1 and IAS 8 Amendment – Definition of Material

This amendment was issued in October 2018 and is applicable for annual periods beginning on or after 1 January 2020. The Amendment clarifies the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.2. NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

IAS 1 and IAS 8 Amendment – Definition of Material (CONTINUED)

improved. Finally, the amendment ensures that the definition of material is consistent across all IFRS Standards.

5. Operating Segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

For management purposes the Group is organised into operating segments based on the nature of its operations and has the reportable segments as shown below.

Management monitors the operating results of its segments separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on earnings before interest, tax and deferred income arising from the sale of terminal buildings and fixtures (EBIT). Revenues and certain costs are allocated in full to particular segments. The remaining costs are allocated across the different segments on the basis of square meters or revenues, as applicable. The Group and the Company financing (including finance income and finance costs), deferred income arising from the sale of terminal buildings and fixtures and income tax are managed on a Group and Company basis and are not allocated to operating segments.

Airport Segment
The Airport Segment comprises of the activities usually carried out by an airport. These services include revenue from airport regulated fees, aviation concessions and PRMs (persons with reduced mobility) and their associated costs. This segment also includes the operations and maintenance of the terminal, runways, taxiways and aircraft parks.

Retail and Property Segment
The Retail and Property Segment includes various services that support the airport operations. These include the operations of the various retail outlets within the airport perimeter, advertising sites and rental of offices, warehouses and income from the running of the VIP lounges. Income and costs from Airport Parking Limited, Sky Parks Business Centre Limited and Sky Parks Development Limited are also allocated within the Retail and Property Segment.

Other Segment
This comprises services that do not fall under the Airport and the Retail and Property Segments, which include miscellaneous income and disbursement fees from third parties as well as any costs associated with this income.

The results of the operating segments are reported below:

2018 (in EUR)	Airport	Retail & Property	Other	The Group
Revenue (external)	65,538,107	26,318,723	334,889	92,191,719
Staff costs	(8,447,667)	(1,299,500)	-	(9,747,167)
Other operating costs	(22,221,629)	(5,792,497)	-	(28,014,126)
EBITDA	**34,868,811**	**19,226,726**	**334,889**	**54,430,426**
Depreciation	(4,973,379)	(2,411,024)	-	(7,384,403)
EBIT	**29,895,432**	**16,815,702**	**334,889**	**47,046,023**
Investment income/(loss)				(7,021)
Finance cost				(148,915)
Release of deferred income arising on the sale of terminal buildings and fixtures				208,765
Profit before tax				**47,098,852**

5. *Operating Segments* (CONTINUED)

2017 (in EUR)	Airport	Retail & Property	Other	The Group
Revenue (external)	59,003,393	22,980,252	385,509	82,369,154
Staff costs	(6,755,767)	(1,289,619)	-	(8,045,386)
Other operating costs	(21,381,231)	(4,369,033)	-	(25,750,264)
EBITDA	**30,866,395**	**17,321,600**	**385,509**	**48,573,504**
Depreciation	(4,944,816)	(2,465,812)	-	(7,410,628)
EBIT	**25,921,579**	**14,855,788**	**385,509**	**41,162,876**
Investment income				4,406
Finance cost				(3,808,536)
Release of deferred income arising on the sale of terminal buildings and fixtures				208,765
Profit before tax				**37,567,511**

Airport segment revenues generated from two clients amounted to EUR 21,548,739 and EUR 20,701,872 (2017: EUR 19,335,736 and EUR 16,686,558).

6. *Revenue*

The Group's and the Company's main revenue streams as well as the nature and effect of initially applying IFRS 15 on these financial statements are disclosed in Notes 4 and 40. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

In the following table, revenue of the Group is disaggregated by revenue category. The table also includes a reconciliation of the disaggregated revenue with the Group's operating segments (see Note 5).

The Group

2018 (in EUR)	Airport	Retail & Property	Other	Total
REVENUE FROM SERVICES PROVIDED OVER TIME				
Regulated revenue	59,484,658	-	-	**59,484,658**
Unregulated revenue	6,053,449	5,172,043	334,889	**11,560,381**
Revenue from Contracts with Customers	**65,538,107**	**5,172,043**	**334,889**	**71,045,039**
Revenue from Leases	**-**	**21,146,680**	**-**	**21,146,680**
Total Revenue	**65,538,107**	**26,318,723**	**334,889**	**92,191,719**

6. *Revenue* (CONTINUED)

The Group

2017 (in EUR)	Airport	Retail & Property	Other	Total
REVENUE FROM SERVICES PROVIDED OVER TIME				
Regulated revenue	53,363,556	-	-	**53,363,556**
Unregulated revenue	5,639,838	4,222,992	385,509	**10,248,338**
Revenue from Contracts with Customers	**59,003,393**	**4,222,992**	**385,509**	**63,611,894**
Revenue from Leases	**-**	**18,757,260**	**-**	**18,757,260**
Total Revenue	**59,003,393**	**22,980,252**	**385,509**	**82,369,154**

In the following table, revenue of the Company is disaggregated by revenue category:

The Company

(in EUR)	2018	2017
REVENUE FROM SERVICES PROVIDED OVER TIME		
Regulated revenue	59,484,658	53,363,556
Unregulated revenue	10,944,962	9,669,433
Revenue from Contracts with Customers	**70,429,620**	**63,032,989**
Revenue from Leases	**17,626,440**	**15,414,372**
Total Revenue	**88,056,060**	**78,447,361**

All the Group's revenues and its non-current assets, other than financial assets, are attributable to the Company's country of domicile.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period either relates to contracts that have an original expected duration of one year or less or is in relation to contracts for which the Company and the Group provide a daily service of access that is distinct, with the uncertainty related to the consideration receivable being also resolved on that basis.

7. Investment Income

(in EUR)	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Interest income on loans receivable	-	245	402,562	114,529
Interest income on bank deposits	-	4,161	-	4,161
Fair value gain/(loss) on other investments	(7,021)	-	(7,021)	-
Investment income/(loss)	**(7,021)**	**4,406**	**395,541**	**118,690**

8. Finance Cost

(in EUR)	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Interest on bank loans	148,915	1,033,536	139,212	342,542
Early repayment fee	-	2,775,000	-	-
Finance cost	**148,915**	**3,808,536**	**139,212**	**342,542**

The early repayment fee in 2017 resulted from the settlement of a high fixed interest rate loan repaid to the lenders prior to its maturity. This early loan settlement enables the Group to realise savings on interest on bank loans from 2018 onwards that will exceed the fee.

9. Other Operating Expenses

(in EUR)	Notes	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Repairs and maintenance		**3,220,609**	1,345,879	**2,942,510**	1,135,806
Marketing and communication costs		**6,013,894**	4,983,418	**5,969,883**	4,888,370
Insurance		**353,999**	333,768	**338,771**	322,604
Telecommunications		**107,131**	100,268	**104,653**	98,158
Utilities		**3,040,622**	2,800,125	**3,026,072**	2,758,402
Air traffic services	35	**921,173**	921,173	**921,173**	921,173
Ground handling services		**1,734,321**	1,729,591	**1,734,321**	1,729,591
Provision of technical services	35	**164,651**	1,799,172	**164,651**	1,799,172
Restricted areas security service	35	**1,800,000**	1,800,000	**1,800,000**	1,800,000
Passenger security service		**2,043,020**	1,473,633	**2,043,020**	1,473,633
Other security services		**167,879**	103,202	**117,530**	45,370
Cleaning		**1,113,657**	1,081,817	**1,049,310**	1,008,849
Legal and professional fees		**1,692,592**	504,198	**1,641,592**	475,508
Losses/(gains) on disposal of fixed assets		**-**	(7,670)	**-**	(7,670)
Net exchange differences		**16,043**	14,491	**16,598**	15,617
Operating lease and and related payments	34	**2,150,591**	3,963,309	**2,150,591**	3,834,074
Movements in provision for bad debts	21	**18,157**	14,289	**40,578**	14,289
Miscellaneous operating expenses		**3,455,787**	2,789,600	**3,289,706**	2,667,128
Other operating expenses		**28,014,126**	**25,750,264**	**27,350,959**	**24,980,075**

9. Other Operating Expenses (CONTINUED)

Included in the legal and professional fees are amounts that are payable to the parent Company's auditor:

(in EUR)	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Audit of the financial statements	**62,000**	59,900	**48,350**	48,350
Other assurance	**8,685**	18,050	**8,685**	18,050
Tax services	**68,760**	32,585	**31,810**	24,805

10. Key Management Personnel Compensation

DIRECTORS' COMPENSATION

(in EUR)	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Short-term benefits:				
Fees	67,552	67,070	67,552	67,070
Management remuneration	506,433	474,107	506,433	474,107
Social security costs	2,416	2,280	2,416	2,280
	576,401	**543,457**	**576,401**	**543,457**

In addition, during the year under review, the Company granted other benefits to its directors. The aggregate amount of benefits, which includes monetary and non-monetary benefits, amounted to EUR 92,989 (2017: EUR 79,082). These amounts are included with other operating expenses.

Also, during the year under review, the Company maintained professional indemnity insurance for its directors. The aggregate amount of premiums paid in respect thereof amounted to EUR 12,972 (2017: EUR 12,972). These amounts are included with other operating expenses.

11. Staff Costs and Employee Information

STAFF COSTS

(in EUR)	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Wages and salaries	8,976,006	7,428,551	8,759,034	7,202,274
Social security costs	631,662	529,032	622,605	519,498
Retirement benefit costs	73,999	59,003	73,999	59,003
Other retirement benefit costs	65,500	28,800	65,500	28,800
	9,747,167	**8,045,386**	**9,521,138**	**7,809,575**

The above amounts include the directors' compensation disclosed in Note 10.

11. Staff Costs and Employee Information (CONTINUED)

The average number of persons employed during the year, including Executive Directors, was made up as follows:

AVERAGE NO. OF EMPLOYEES	The Group		The Company	
(Number)	2018	2017	2018	2017
Business development, operations and marketing	198	185	189	175
Finance, IT and IM	22	18	22	18
Firemen	42	32	42	32
Met office	14	14	14	14
Technical and engineering	64	58	64	58
	340	**307**	**331**	**297**

12. Income Tax Expense

Income tax recognised in profit or loss is as follows:

	The Group		The Company	
(in EUR)	2018	2017	2018	2017
Current tax expense	16,260,972	14,852,094	15,703,225	14,356,318
Deferred tax	502,240	(1,435,063)	366,117	(408,112)
Income tax expense	**16,763,212**	**13,417,031**	**16,069,342**	**13,948,206**

Tax applying the statutory domestic income tax rate and the income tax expense for the year is reconciled as follows:

	The Group		The Company	
(in EUR)	2018	2017	2018	2017
Profit before Tax	47,098,852	37,567,511	45,154,661	39,127,579
Tax at applicable rate of 35 %	16,484,598	13,148,629	15,804,131	13,694,653
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	345,963	346,368	287,590	287,946
Other net difference between accounting and tax deductible items of expenditure	(4,254)	(4,052)	(4,254)	(4,052)
Finance income subject to lower tax rates	-	(832)	-	(832)
Other differences	(63,095)	(73,082)	(18,125)	(29,509)
Income tax expense for the year	**16,763,212**	**13,417,031**	**16,069,342**	**13,948,206**

Deferred tax recognised in other comprehensive income is as follows:

	The Group		The Company	
(in EUR)	2018	2017	2018	2017
Deferred tax credit on defined benefit pension plans	**(16,732)**	-	**(16,732)**	-

13. Dividends

The net final dividend for 2017 of EUR 9,471,000 (EUR 7.0 cents per ordinary share) proposed by the directors of the Company in the previous financial year was approved by the shareholders at the Annual General Meeting on 8 May 2018 and was paid on 25 May 2018. The net final dividend for 2016 of EUR 9,471,000 (EUR 7.0 cents per ordinary share) proposed by the directors during 2017 was paid on 26 May 2017.

On 14 September 2018, a net interim dividend of EUR 4,059,000 (EUR 3.0 cents per share) (2017: EUR 4,059,000 (EUR 3.0 cents per share)) was paid to ordinary shareholders of the Company.

The directors propose that a net final dividend of EUR 9.0 cents per ordinary share will be paid to ordinary shareholders in respect of the year ended 31 December 2018. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements. The total proposed dividend to be paid is EUR 12,177,000.

14. Property, Plant and Equipment

The Group (in EUR)	Land held on temporary emphyteusis	Buildings	Furniture, fixtures, plant and equipment	Total
COST				
At 1 January 2017	42,033,473	66,032,398	63,799,442	**171,865,313**
Additions	-	2,834,395	10,958,467	**13,792,862**
Disposals	-	(55,288)	(150,063)	**(205,351)**
At 1 January 2018	**42,033,473**	**68,811,505**	**74,607,846**	**185,452,824**
Additions	-	2,228,979	6,204,677	**8,433,656**
Write-offs	-	-	(10,831,422)	**(10,831,422)**
At 31 December 2018	**42,033,473**	**71,040,484**	**69,981,101**	**183,055,058**
ACCUMULATED DEPRECIATION				
At 1 January 2017	**9,322,812**	**25,868,834**	**38,003,810**	**73,195,456**
Provision for the year	646,669	1,336,853	4,619,209	**6,602,731**
Eliminated on disposals	-	(55,288)	(154,469)	**(209,757)**
At 1 January 2018	**9,969,481**	**27,150,399**	**42,468,550**	**79,588,430**
Provision for the year	646,669	1,395,294	4,544,456	**6,586,419**
Write-offs	-	-	(10,831,422)	**(10,831,422)**
At 31 December 2018	**10,616,150**	**28,545,693**	**36,181,584**	**75,343,427**
CARRYING AMOUNT				
At 31 December 2017	**32,063,992**	**41,661,106**	**32,139,296**	**105,864,394**
At 31 December 2018	**31,417,323**	**42,494,791**	**33,799,517**	**107,711,631**

No depreciation is being charged on assets not yet available for use amounting to EUR 3,803,163 (2017: EUR 3,816,899).

14. Property, Plant and Equipment (CONTINUED)

The Company (in EUR)	Land held on temporary emphyteusis	Buildings	Furniture, fixtures, plant and equipment	Total
COST				
At 1 January 2017	42,033,473	66,032,398	62,902,859	**170,968,730**
Additions	-	2,834,395	10,927,073	**13,761,468**
Disposals	-	(55,288)	(150,063)	**(205,351)**
At 1 January 2018	**42,033,473**	**68,811,505**	**73,679,869**	**184,524,847**
Additions	-	958,200	6,121,869	**7,080,069**
Write-offs	-	-	(10,831,422)	**(10,831,422)**
At 31 December 2018	**42,033,473**	**69,769,705**	**68,970,315**	**180,773,494**
ACCUMULATED DEPRECIATION				
At 1 January 2017	**9,322,812**	**25,868,834**	**37,470,552**	**72,662,198**
Provision for the year	646,669	1,336,853	4,531,523	**6,515,045**
Eliminated on disposals	-	(55,288)	(154,469)	**(209,757)**
At 1 January 2018	**9,969,481**	**27,150,399**	**41,847,606**	**78,967,486**
Provision for the year	646,669	1,395,294	4,452,433	**6,494,396**
Write-offs	-		(10,831,422)	**(10,831,422)**
At 31 December 2018	**10,616,150**	**28,545,693**	**35,468,616**	**74,630,460**
CARRYING AMOUNT				
At 31 December 2017	**32,063,992**	**41,661,106**	**31,832,263**	**105,557,361**
At 31 December 2018	**31,417,323**	**41,224,012**	**33,501,699**	**106,143,034**

No depreciation is being charged on assets not yet available for use amounting to EUR 3,796,439 (2017: EUR 3,806,892).

In addition, the cost of fully depreciated plant and equipment amounts to EUR 16,976,843 (2017: EUR 22,772,049) for both the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Investment Property

The investment property relates to the business centre which is located on the land held on temporary emphyteusis. The carrying amount incorporates the cost of construction and the cost of items that are an integral part of the building.

The Group (in EUR)	Investment property
COST	
At 1 January 2017	**20,625,361**
Additions from subsequent expenditure	224,402
At 1 January 2018	**20,849,763**
Additions from subsequent expenditure	15,367
At 31 December 2018	**20,865,130**
ACCUMULATED DEPRECIATION	
At 1 January 2017	**3,385,164**
Provision for the year	807,897
At 1 January 2018	**4,193,061**
Provision for the year	797,984
At 31 December 2018	**4,991,045**
CARRYING AMOUNT	
At 31 December 2017	**16,656,702**
At 31 December 2018	**15,874,085**

During the year, direct operating expenses of EUR 949,583 (2017: EUR 911,248), which arose from the Investment Property, were incurred. Such expenses were incurred in generating rental income during the year.

Fair Value

Based on an internal valuation carried out by the directors of the Company, the fair value of the investment property was in the region of EUR 30 million at the balance sheet date (2017: EUR 29 million).

The fair value measurement is categorised within Level 3 of the fair value hierarchy. The model is based on the present value of the net cash flows expected to be generated by the property on the basis of market expectations and includes the rates stipulated in the existing contracts with tenants, expected increase in rents after the non-cancellable period, occupancy rates and all other costs attributable to these assets. The expected net cash flows are discounted using a discount factor representing a weighted average cost of capital that is considered appropriate in the circumstances. The net cash flows reflect the amounts in the 2018 budget and long-term corporate planning.

In estimating fair value, the highest and best use of the property is its current use.

16. Investment in Subsidiaries

The Company's investment in subsidiaries is stated at cost and comprises:

SHARE CAPITAL	The Company	
(in EUR)	2018	2017
Airport Parking Limited	1,200	1,200
Sky Parks Development Limited	2,001,200	2,001,200
Sky Parks Business Centre Limited	1,200	1,200
Kirkop PV Farm Limited	1,200	1,200
Investment in subsidiaries	**2,004,800**	**2,004,800**

The Company holds a 100% (2017: 100%) ownership in the ordinary share capital of Airport Parking Limited, a limited liability company incorporated in Malta, whose principal activity is the operation of car parks within the limits of the airport.

The Company holds a 100% (2017: 100%) ownership in the ordinary share capital of Sky Parks Development Limited, a limited company incorporated in Malta, whose principal activity is to manage real estate projects within the land which is currently under the management of the Group.

The Company holds a 100% (2017: 100%) ownership in the ordinary share capital of Sky Parks Business Centre Limited, a limited liability company incorporated in Malta, whose principal activity is to operate the Business Centre within the limits of the airport.

The Company holds a 100% (2017: 100%) ownership in the ordinary share capital of Kirkop PV Farm Limited, a limited liability company incorporated in Malta. The principal activity of this company is to explore opportunities in the generation of electricity using photovoltaic technologies.

The principal place of business of the company's subsidiaries is Malta.

The registered offices for these subsidiaries are as follows:

Airport Parking Ltd
Level 2
Malta International Airport Head Office
Malta International Airport
Luqa LQA 4000

Sky Parks Development Ltd
Malta International Airport Head Office
Malta International Airport
Luqa LQA 4000

Sky Parks Business Centre Ltd
Malta International Airport Head Office
Malta International Airport
Luqa LQA 4000

Kirkop PV Farm Ltd
Malta International Airport Head Office
Malta International Airport
Luqa LQA 4000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Investment in Subsidiaries (CONTINUED)

The following table shows financial information for the consolidated subsidiaries:

Airport Parking Ltd

(in EUR)	2018	2017
Profit for the year	350,663	358,651
Share Capital	1,200	1,200
Retained earnings	1,292,863	942,200
Total Equity	1,294,063	943,400

Sky Parks Development Ltd

(in EUR)	2018	2017
Profit/(Loss) for the year	387,555	(1,814,749)
Share Capital	2,001,200	2,001,200
Accumulated Losses	(3,087,206)	(3,474,761)
Total Equity	(1,086,006)	(1,473,561)

Sky Parks Business Centre Ltd.

(in EUR)	2018	2017
Profit for the year	512,102	427,203
Share Capital	1,200	1,200
Retained earnings	971,856	459,754
Total Equity	973,056	460,954

17. Other Investments

Investment fund policy

The Group & The Company

(in EUR)	Fair Value
FAIR VALUE	
At 1 January 2017	**103,648**
Movement in fair value	3,930
At 1 January 2018	**107,578**
Disposals	(100,557)
Movement in fair value	(7,021)
At 31 December 2018	**-**

17. Other Investments (CONTINUED)

As at 31 December 2017, the Company held a policy which was linked to a number of unit-linked investment funds. Its fair value was determined by the prices quoted on the Malta Stock Exchange for the underlying funds (Level 2). During the period ended 31 December 2018 the investment fund policy was surrendered.

The Company used the fair value hierarchy outlined in Note 40. The fair value level as at 31 December 2017 is in accordance with the inputs being applied to value the instrument. There were no transfers into and out of Level 3 for financial instruments.

As further disclosed in Note 4, upon the adoption of IFRS 9 on 1 January 2018, the asset was reclassified from available-for-sale to financial assets measured at FVTPL. This reclassification did not result in a change to the asset's carrying amount.

18. Loans Receivable

The Company

(in EUR)	Loans to subsidiary
AMORTISED COST	
At 31 December 2018	**18,797,918**
Less: Amount expected to be settled within 12 months (shown under current assets)	1,290,720
Amount expected to be settled after 12 months	**17,507,198**

The Company

(in EUR)	Loans to subsidiary
AMORTISED COST	
At 31 December 2017	18,363,315
Less: Amount expected to be settled within 12 months (shown under current assets)	1,146,943
Amount expected to be settled after 12 months	17,216,372

The Company has granted three unsecured loans to one of its subsidiaries, one of which was granted during the reporting period. The interest rates of all loans comprise a margin which is over and above the bank base rate.

During the reporting period the subsidiary commenced repaying two loans with a total loan amount of EUR 15.5 million on equal annual instalments until 2029. At the reporting date, these loans incurred interest at a floating rate of 2.00% per annum (2017: 2.00%). Repayments of the third loan with an amount outstanding of EUR 4.6 million (2017: EUR 4.6 million) will commence in 2030. Interest incurred on this loan remained at a floating rate of 2.25% (2017: 2.25%) per annum as at the reporting date.

18. Loans Receivable (CONTINUED)

The following table shows a reconciliation from the opening to the closing balances for the loans to subsidiary:

The Company

(in EUR)	Loans to subsidiary
CARRYING AMOUNT	
At 31 December 2016	4,600,000
Additions	13,763,315
At 31 December 2017	18,363,315
Additions	1,725,323
Repayments	(1,290,720)
At 31 December 2018	**18,797,918**

19. Deferred Taxation

The Group (in EUR)	31.12.2016	Movement for the year	31.12.2017	Movement for the year	31.12.2018
Arising on:	*Recognised in Total Comprehensive Income:*				
Accelerated tax depreciation	(1,062,509)	(436,554)	(1,499,063)	(406,861)	**(1,905,924)**
Provision for pension costs	1,326,558	14,927	1,341,485	(132,484)	**1,209,001**
Deferred income	1,857,723	(73,068)	1,784,655	(73,069)	**1,711,587**
Unabsorbed capital allowances	1,412,822	175,834	1,588,656	51,714	**1,640,370**
Ground rent payable	895,042	712,218	1,607,260	156,170	**1,763,430**
Future deductions of refinancing costs	-	968,309	968,309	(85,976)	**882,333**
Other temporary differences	109,224	73,397	182,621	4,997	**187,618**
Subtotal	4,538,860	1,435,063	5,973,923	(485,508)	**5,488,415**
Arising on:	*Recognised in Equity:*				
Revaluation of properties on privatisation	(661,277)	26,193	(635,084)	26,193	**(608,891)**
Provision for pension costs	206,204	-	206,204	-	**206,204**
Subtotal	(455,073)	26,193	(428,880)	26,193	**(402,687)**
Total	**4,083,787**	**1,461,256**	**5,545,042**	**(459,315)**	**5,085,728**

19. *Deferred Taxation* (CONTINUED)

The Company (in EUR)	31.12.2016	Movement for the year	31.12.2017	Movement for the year	31.12.2018
Arising on:	*Recognised in Total Comprehensive Income:*				
Accelerated tax depreciation	99,770	(270,343)	(170,573)	(314,205)	**(484,778)**
Provision for pension costs	1,326,558	14,927	1,341,485	(132,484)	**1,209,001**
Deferred income	1,857,723	(73,068)	1,784,655	(73,068)	**1,711,587**
Ground rent payable	895,042	712,218	1,607,260	156,168	**1,763,428**
Other temporary differences	160,671	24,378	185,049	14,204	**199,253**
Subtotal	4,339,764	408,112	4,747,876	(349,385)	**4,398,491**
Arising on:	*Recognised in Equity:*				
Revaluation of properties on privatisation	(661,277)	26,193	(635,084)	26,193	**(608,891)**
Provision for pension costs	206,204	-	206,204	-	**206,204**
Subtotal	(455,073)	26,193	(428,880)	26,193	**(402,687)**
Total	**3,884,691**	**434,305**	**4,318,996**	**(323,192)**	**3,995,804**

The movement recognised in total comprehensive income during the current year for both the Group and the Company includes deferred tax of EUR 16,732 (2017: -) in connection with defined benefit plans, which deferred tax was recognised in other comprehensive income.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The amount of deferred tax assets that can be recognised is based upon the likely timing and level of future taxable profits together with future tax-planning strategies.

20. *Inventories*

(in EUR)	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Consumables	**884,352**	891,511	**884,352**	891,511

21. *Trade and Other Receivables*

(in EUR)	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Trade receivables	13,190,401	10,576,836	12,825,074	10,056,596
Receivables from other related parties	3,355,751	2,852,353	3,355,751	2,852,353
Receivables from subsidiaries	-	-	910,199	533,923
Other receivables	2,241,090	863,792	1,790,851	444,415
Prepayments and accrued income	1,215,664	1,090,391	912,240	389,186
	20,002,906	**15,383,372**	**19,794,115**	**14,276,473**

The terms and conditions of the receivables from subsidiaries and related parties are disclosed in Note 33. Trade receivables are non-interest bearing and are generally on 30-day terms.

21. *Trade and Other Receivables* (CONTINUED)

Impairment of Trade Receivables

The effect of initially applying IFRS 9 is described in Note 4. For details on the accounting policies with respect to trade receivables and impairment of trade receivables refer to Note 40.

The Group (in EUR)	LOSS ALLOWANCE Individual Assessment	LOSS ALLOWANCE Collective Assessment	Total
At 1 January 2017	113,350	22,439	**135,789**
Impairment loss	14,289	-	**14,289**
Reversal of impairment loss	(6,382)	-	**(6,382)**
At 31 December 2017	**121,257**	**22,439**	**143,696**
Impairment loss	-	40,578	**40,578**
Reversal of impairment loss	(22,421)	-	**(22,421)**
At 31 December 2018	**98,836**	**63,017**	**161,853**

The Company (in EUR)	LOSS ALLOWANCE Individual Assessment	LOSS ALLOWANCE Collective Assessment	Total
At 1 January 2017	62,790	22,439	**85,229**
Impairment loss	14,289	-	**14,289**
Reversal of impairment loss	(6,382)	-	**(6,382)**
At 31 December 2017	**70,697**	**22,439**	**93,136**
Impairment loss	-	40,578	**40,578**
Reversal of impairment loss	-	-	**-**
At 31 December 2018	**70,697**	**63,017**	**133,714**

The movement in the allowance for impairment in respect of trade receivables during the year for the Group and the Company was as follows:

The Group (in EUR)	LT-ECL Collective (not credit-impaired)	LT-ECL Collective (credit-impaired, but not POCI)	LT-ECL Individual (credit-impaired, but not POCI)	2018 Total	2017 Total
Balance as at at 1 January	-	22,439	121,257	**143,696**	135,789
Addition	34,224	6,354	-	**40,578**	14,289
Reversal	-	-	(22,421)	**(22,421)**	(6,382)
Balance as at 31 December	**34,224**	**28,793**	98,836	**161,853**	**143,696**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Trade and Other Receivables (CONTINUED)

The Company (in EUR)	LT-ECL Collective (not credit-impaired)	LT-ECL Collective (credit-impaired, but not POCI)	LT-ECL Individual (credit-impaired, but not POCI)	2018 Total	2017 Total
Balance as at at 1 January		22,439	70,697	**93,136**	**85,229**
Addition	34,224	6,354	-	**40,578**	**14,289**
Reversal	-	-	-	**-**	**(6,382)**
Balance as at 31 December	**34,224**	**28,793**	70,697	**133,714**	**93,136**

Ageing of Trade Receivables
As at 31 December 2017, the ageing analysis of trade receivables was as follows:

(in EUR)	Total	Neither past due nor impaired	Past due but not impaired: 30-60 days	60 days	90 days	> 120 days
The Group	**13,429,189**	7,544,833	4,398,949	905,072	432,168	148,166
The Company	**12,908,950**	7,373,990	4,380,422	696,666	347,579	110,293

The Group and the Company do not hold any collateral over the past due but not impaired balances; these trade receivables are substantially companies with good track records with the Group.

22. Trade and Other Payables

(in EUR)	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Trade payables	2,044,849	3,346,688	2,002,509	3,273,696
Other payables	8,352,995	6,456,965	8,116,828	6,093,935
Payables due to related party	-	65,031	-	65,031
Payables due to subsidiaries	-	-	546,410	449,987
Contract liabilities	409,174	-	409,174	-
Other differences	35,768,086	30,708,250	35,296,433	30,256,908
	46,575,104	**40,576,934**	**46,371,354**	**40,139,557**

Contract liabilities represent prepayments from contracts with customers in relation to VIP services. The balance as at 1 January 2018 of EUR 287,397 was fully recognised as revenue during the reporting period.

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Other payables are non-interest bearing and have an average term of three months.
- The terms and conditions of the payables due to the related party and the subsidiaries are disclosed in Note 33.

All the above amounts are unsecured.

23. Bank Loans

(in EUR)	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Current bank loans	-	1,868,923	-	1,781,423
Non-current bank loans	-	31,147,638	-	29,510,101

As at 31 December 2017 the Company held two bank loans of EUR 10.5 million and EUR 5.8 million carrying a floating interest rate of 2.25% which were to expire in 2026 and 2027 and repayable in annual instalments, respectively. In addition, the Company held a bullet loan of EUR 15 million carrying a floating interest rate of 2.00%, which was due in 2026. These loans were secured by a general hypothec over all of the Company's present and future assets, with the exception of terminal buildings and other sites. All outstanding balances as at 31 December 2017 were settled in full during the reporting period.

In 2010 Sky Parks Development Limited was granted bank loans amounting to EUR 16 million which were repayable by 2030 and secured by guarantees and a general hypothec over the commercial block, consisting of car parking spaces, retail outlets and other floor space held for rental purposes. The incurred interest was 6.00% (fixed interest rate) in relation to outstanding bank loans of EUR 10.9 million and 2.25% (floating interest rate) in relation to outstanding bank loans of EUR 1.7 million. The outstanding balance on the 6.00% fixed interest rate loan of EUR 10.9 million was repaid in full in 2017, whereas the EUR 1.7 million balance was settled in full in 2018.

The movements for the year are included in the Statement of Cash Flows within the cash flows from financing activities. The maturity of the bank borrowings are disclosed in Note 37.

24. Deferred Income

The Group (in EUR)	2017	Movement for the year: Additions	Amortisation	2018
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	5,099,018	-	(208,765)	4,890,253
European Commission grant	402,570	-	(40,255)	362,315
Norwegian grant	51,762	-	(51,762)	-
Government grant	29,971	-	(9,991)	19,980
Deposit received from tenant	98,819	15,146	-	113,965
Total deferred income as at 31 December	**5,682,140**	**15,146**	**(310,773)**	**5,386,513**
Less: amounts included in trade and other payables (Note 22)	(310,772)			(259,009)
Amounts included in non-current liabilities	**5,371,368**			**5,127,504**

24. *Deferred Income* (CONTINUED)

The Group (in EUR)	2016	Movement for the year Additions	Amortisation	2017
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	5,307,783	-	(208,765)	5,099,018
European Commission grant	442,825	-	(40,255)	402,570
Norwegian grant	103,523	-	(51,761)	51,762
Government grant	39,962	-	(9,991)	29,971
Deposit received from tenant	84,506	14,313	-	98,819
Total deferred income as at 31 December	**5,978,599**	**14,313**	**(310,772)**	**5,682,140**
Less: amounts included in trade and other payables (Note 22)	(310,772)			(310,772)
Amounts included in non-current liabilities	**5,667,827**			**5,371,368**

The Company (in EUR)	2017	Movement for the year Additions	Amortisation	2018
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	5,099,018	-	(208,765)	4,890,253
European Commission grant	402,570	-	(40,255)	362,315
Norwegian grant	51,762	-	(51,762)	-
Government grant	29,971	-	(9,991)	19,980
Total deferred income as at 31 December	**5,583,321**	**-**	**(310,773)**	**5,272,548**
Less: amounts included in trade and other payables (note 22)	(310,772)			(259,009)
Amounts included in non-current liabilities	**5,272,549**			**5,013,539**

The Company (in EUR)	2016	Movement for the year Additions	Amortisation	2017
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	5,307,783	-	(208,765)	5,099,018
European Commission grant	442,826	-	(40,255)	402,570
Norwegian grant	103,523	-	(51,761)	51,762
Government grant	39,962	-	(9,991)	29,971
Total deferred income as at 31 December	**5,894,094**	**-**	**(310,772)**	**5,583,321**
Less: amounts included in trade and other payables (note 22)	(310,772)			(310,772)
Amounts included in non-current liabilities	**5,583,322**			**5,272,549**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. *Deferred Income* (CONTINUED)

The deferred income arising from the gain on the sale and leaseback of the buildings and fixtures that took place on the date of the privatisation of the Company in 2002 is being taken to income in accordance with the accounting policy stated in Note 40.

The European Commission grant is composed of grants related to assets and which were received in 2006 and 2011 in respect of the upgrading of the taxiways project. The Norwegian grant is related to the implementation of the Schengen project and was received in 2009. The Government grant is related to the installation of the photovoltaic system and was received in 2011.

25. *Provision for the Retirement Benefit Plan*

(in EUR)	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Non-current provision	**3,906,809**	4,408,590	**3,906,809**	4,408,590

The provision at year end represents the estimated amounts that are to be reimbursed by the Company to the Government of Malta. The provision for retirement benefits is unfunded and represents the Company's and the Group's share of the year end provision in accordance with the Pensions Ordinance (Cap 93) for possible future liabilities relating to pensions of employees who joined the public service before 15 January 1979 and were transferred to the Company.

The provision has been computed in accordance with the accounting policy stated in Note 40 and represents the Company's and the Group's obligation (i) discounted to the net present value at the rate which has been determined by reference to market yields at the end of the reporting period on high quality corporate bonds in Euros (ii) after considering the average life expectancy of such employees based on the latest publicly available mortality tables and (iii) where applicable, expected rates of salary increases based on the inflation and previous increases given to employees and (iv) the Company's expectations, based on historic data, of the payment options that will be selected by the plan members, being either an annual benefit per employee or a lump sum payment plus a reduced annual benefit per employee until death, capped in accordance with statutory requirements.

The Group & The Company (in EUR)	2018	2017
Present value of the provision for retirement benefits at 1 January	4,408,590	4,365,940
Payments effected	(500,326)	-
RECOGNISED IN STAFF COSTS		
Charge for the year	45,020	42,650
thereof Service costs	44,210	41,968
thereof Interest costs	810	682
RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Actuarial gains resulting from changes in financial assumptions, gross of deferred tax	(46,475)	-
Present value of the provision for retirement benefits at 31 December	**3,906,809**	**4,408,590**

25. *Provision for the Retirement Benefit Plan* (CONTINUED)

The year-end obligation includes EUR 3,661,664 (2017: EUR 3,865,665) in relation to retired employees.

The plan exposes the Group and the Company to such risks as (i) interest risk, since a decrease in market yields will increase the plan liability; (ii) longevity risk, since an increase in the life expectancy of the plan participants will increase the plan liability; and (iii) salary risk, since an increase in the salary of the plan participants will increase the plan liability.

The significant actuarial assumptions used to determine the present value of the retirement benefit plan were as follows:

	2018	2017
Discount rate(s)	**1.8%**	1.6%
Mortality rate(s) in years		
- Males	**79**	79
- Females	**83**	83

The sensitivity analyses below are in connection with every significant actuarial assumption and are prepared as of the end of the reporting period, showing how the defined benefit obligation would have been affected by hypothetical changes in the relevant actuarial assumption that were reasonably possible at that date, while holding all other assumptions constant.

The sensitivity analyses presented below are for illustrative purposes only and may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the sensitivity analyses, the present value of the obligation has been calculated using the projected unit credit method at the end of the reporting period. The amounts generated from the sensitivity analyses represent forward-looking estimates and hence, actual results in the future may differ materially from those projected results.

- If the discount rate is 25 basis points higher (lower) with all other assumptions held constant, the defined benefit obligation decreases by EUR 56,531 (increases by EUR 58,272) (2017: decreases by EUR 63,565 (increases by EUR 65,570)).
- If the life expectancy increases (decreases) by one year for both men and women with all other assumptions held constant, the defined benefit obligation increases by EUR 195,623 (decreases by EUR 209,033) (2017: increases by EUR 208,308 (decreases by EUR 204,738)).

The weighted average duration of the defined benefit obligation at 31 December 2018 is 18 years (2017: 18 years) in relation to employees that are still employed by the Company and 10 years (2017: 11 years) in relation to retired employees.

26. *Provision for the MIA Benefit Plan*

	The Group		The Company	
(in EUR)	2018	2017	2018	2017
Non-current provision	**250,638**	222,989	**250,638**	222,989

The provision for the MIA benefit plan is unfunded and represents the year-end provision for possible future liabilities relating to payments to employees after their retirement as per the Company's Collective Agreement. The provision has been computed in accordance with the accounting policy stated in Note 40 and represents the Company's possible obligation discounted to the net present value at the rate which has been determined by reference to market yields at the end of the reporting period on high quality corporate bonds in Euros after considering the probability that employees reach the applicable retirement age when they are still in employment with the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. *Provision for the MIA Benefit Plan* (CONTINUED)

The movement in the provision for retirement pension plan may be analysed as follows:

The Group & The Company (in EUR)	2018	2017
Present value of the provision for MIA benefit plan at 1 January	222,989	223,936
Payments effected	-	(17,300)
RECOGNISED IN STAFF COSTS		
Charge for the year	28,979	16,353
RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Actuarial gains resulting from changes in financial assumptions, gross of deferred tax	(1,330)	-
Present value of the provision for retirement benefits at 31 December	**250,638**	**222,989**

27. *Share Capital*

The Company (in EUR)	As at 31.12.2018 and 31.12.2017	
	Authorised	Issued and called up
111,809,746 'A' Ordinary Shares of EUR 0.25 each (81,179,990 of which have been issued, called up and fully paid)	27,952,436	20,294,997
74,539,840 'B' Ordinary Shares of EUR 0.25 each (54,120,000 of which have been issued, called up and fully paid)	18,634,960	13,530,000
14 'C' Ordinary Shares of EUR 0.25 each (10 of which have been issued, called up and fully paid)	4	3
	46,587,400	33,825,000

The Ordinary 'A' and 'B' Shares have the same rights, benefits and powers in the Company save for the transferability thereof. Ordinary 'A' shares are freely transferred while the 'B' Shares shall be non-transferable for a period of 15 years from 26 July 2002. Ordinary 'C' Shares carry no voting rights and do not receive dividends.

Shareholders

The shareholders owning 5% or more of the Company's equity share capital at 31 December 2018 were the following:

Shareholder	Share	Type
Malta Mediterranean Link Consortium Ltd. *1)*	**40.0%**	'B' shares
Government of Malta	**20.0%**	'A' and 'C' shares
VIE (Malta) Ltd.	**10.1%**	'A' shares

1) of which VIE (Malta) Ltd. and MMLC Holdings Malta Ltd. constitute 95.85%

27. Share Capital (CONTINUED)

The number of shareholders developed as follows:

Number of Shareholders	31.12.2018	14.09.2018	Change
1-500 shares	384	371	13
501-1,000 shares	740	759	-19
1,001-5,000 shares	3,692	3,726	-34
5,001 and over	1,562	1,597	-35
	6,378	**6,453**	**-75**

28. Reserves

Other Reserve

The other reserve emanates from the revaluation of the Company's buildings close to the date of the privatisation of the Company in 2002 and represents unrealised amounts.

Fair Value Reserve

The fair value reserve originated from movements in fair values of available-for-sale financial assets and represented unrealised amounts.

As a result of the initial application of IFRS 9 in the current reporting period, this asset was reclassified to financial assets measured at fair value through profit and loss (FVTPL) and the fair value reserve was reclassified to retained earning accordingly (see Note 4).

29. Cash and Short-Term Deposits

Cash and short-term deposits shown in the statements of cash flow comprise the following amounts presented in the Statements of Financial Position:

	The Group		The Company	
(in EUR)	2018	2017	2018	2017
Cash at bank and in hand	**20,253,186**	38,401,907	**18,553,003**	36,969,444

30. Earnings Per Share

Earnings per ordinary share for the Group and the Company have been calculated by dividing the net profit for the year after taxation attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	The Group		The Company	
(in EUR)	2018	2017	2018	2017
Profit for the year attributable to ordinary equity holders of the Company (in EUR)	**30,335,639**	24,150,480	**29,085,318**	25,179,373
Weighted average number of shares	**135,299,990**	135,299,990	**135,299,990**	135,299,990
Earnings per share attributable to ordinary equity holders of the Company (in EUR)	**0.224**	0.178	**0.215**	0.186

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive ordinary shares.

31. Capital Commitments

	The Group		The Company	
(in EUR)	2018	2017	2018	2017
Property, plant and equipment:				
Contracted but not provided for	**1,679,656**	236,354	**1,679,656**	236,354
Authorised but not contracted for	**24,293,177**	10,923,800	**13,503,150**	10,893,800
Investment property:				
Contracted but not provided for	**-**	-	**-**	-
Authorised but not contracted for	**475,000**	50,000	**-**	-

32. Contingent Liabilities

At reporting date, there existed the following contingent liabilities:

i) claims filed by former employees of the Company for unfair dismissal and wrong application of disciplinary procedures, the amount of which has not been determined;
ii) a claim filed by former CEO for unfair dismissal, the amount of which has not been determined;
iii) a judicial protest first lodged by the Government of Malta in 2008 relating to reimbursement of specified expenses and which were last estimated by the Government to amount to approximately EUR 5.1 million as at 31 December 2018 (2017: EUR 4.3 million)

In the Directors' opinion, all the above contingent liabilities are unfounded.

33. Related Party Disclosures

During the course of the year, the Group and the Company entered into transactions with related parties as set out below. Transactions between the Company and its subsidiaries have been eliminated on consolidation.

The related party transactions in question were:

The Group (in EUR)	2018 Related party activity	2018 Total activity	2018 %	2017 Related party activity	2017 Total activity	2017 %
REVENUE						
Related party transaction with:						
Entities controlled by Government	21,604,978			18,852,093		
Entities that control the Company's parent	3,227			13,666		
	21,608,205	**92,191,719**	**23**	**18,865,759**	**82,369,154**	**23**
OTHER OPERATING COSTS						
Related party transaction with:						
Key management personnel of the Group	682,362			635,511		
Related parties other than the parent and key management personnel of the Group	3,039,195			3,476,837		
	3,721,557	**37,761,293**	**10**	**4,112,348**	**33,795,650**	**12**

The Company (in EUR)	2018 Related party activity	2018 Total activity	2018 %	2017 Related party activity	2017 Total activity	2017 %
REVENUE						
Related party transaction with:						
Entities controlled by Government	21,232,502			18,505,984		
Subsidiaries	2,055,760			2,043,970		
Entities that control the Company's parent	3,227			13,666		
	23,291,489	**88,056,060**	**26**	**20,563,620**	**78,447,361**	**26**
OTHER OPERATING COSTS						
Related party transaction with:						
Key management personnel of the Group	682,362			635,511		
Related parties other than the parent and key management personnel of the Group	3,039,195			3,476,837		
	3,721,557	**36,872,098**	**10**	**4,112,348**	**32,789,650**	**13**

33. Related Party Disclosures (CONTINUED)

The Company has earned interest income amounting to EUR 402,562 (2017: EUR 114,529) on the loans granted to a subsidiary (see Note 18).

The Company's and the Group's other operating costs for the current year in relation to related parties other than the parent and key management personnel comprise EUR 2,870,760 (2017: EUR 2,617,721) in connection with entities controlled by Government and EUR 168,435 (2017: EUR 859,116) in connection with entities which have an equity interest in the Company's parent.

The amounts due to/from related parties are disclosed in Note 18, 21 and 22. The terms and conditions do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received. These amounts were unsecured and, except as specified in Note 18, are interest-free.

In addition to the above, the details of the material contracts entered into by the Company in the year ended 31 December 2018 with its substantial shareholders and their related parties are disclosed in Note 35.

Property, plant and equipment include land held on temporary emphyteusis, which relates to the land assigned by the Government of Malta to the Group and the Company by title of temporary emphyteusis. This is amortised over the remaining term of the lease as disclosed in Note 34.

34. Operating Lease Arrangements

The Group and the Company as lessee

(in EUR)	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Minimum lease payments under operating lease and related payments recognised as an expense for the year	**2,150,591**	3,963,309	**2,150,591**	3,834,074

At the reporting date, the Company and the Group had outstanding commitments under non-cancellable operating lease and related payments, which fall due as follows:

(in EUR)	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Within one year	1,640,966	1,640,966	1,640,966	1,640,966
In the second to fifth years inclusive	6,846,049	6,674,328	6,846,049	6,674,328
After five years	130,578,350	132,391,038	130,578,350	132,391,038
	139,065,365	**140,706,332**	**139,065,365**	**140,706,332**

Operating lease and related payments represent expenses for ground rents on the temporary emphyteuses payable by the Company to Malita Investments plc (previously to the Government of Malta) and the related aerodrome licence fee payable to the Government of Malta, with no renewal option included in the contracts. The term of the leases ranges from 58 years to 65 years and the lease payments on the temporary emphyteuses are adjusted upwards periodically by a specified rate. The lease expense on the temporary emphyteuses is allocated to commercial and non-commercial areas, being site areas with restricted access on the basis of the total surface area covered by the lease. The lease expense in relation to the commercial areas is recognised on a straight-line basis. The recognition of the lease expense in relation to the non-commercial areas is made on a systematic basis that is considered to be most representative of the time pattern of the expected benefit that the Group and the Company can reasonably be expected to reap from the use of that part of the leased asset over the lease term on the basis of passenger movements. This assessment is reviewed annually to determine whether the basis that is applied in allocating the lease expense over the lease term continues to be appropriate.

34. Operating Lease Arrangements (CONTINUED)

Lease payments in the previous period (2017) included a one-off charge to reflect the effect of a recalibration of prior years' passenger movements.

The lessor has a special privilege in relation to the obligations emanating from the temporary emphyteuses and a general hypothec over all the property of the Company, present and future.

The Group and the Company as lessor

	The Group		The Company	
(in EUR)	2018	2017	2018	2017
Minimum lease payments under operating lease recognised as income for the year	**5,996,421**	5,419,213	**2,868,713**	2,812,328

At the reporting date, the Company and the Group had non-cancellable operating lease receivables as follows:

	The Group		The Company	
(in EUR)	2018	2017	2018	2017
Within one year	4,148,394	3,302,822	1,363,988	942,363
In the second to fifth years inclusive	13,160,046	11,078,958	5,618,133	3,921,567
After five years	27,657,493	19,563,025	25,064,853	18,483,802
	44,965,933	**33,944,805**	**32,046,974**	**23,347,732**

Operating lease income receivable by the Group represents income from leases of land held on temporary emphyteuses. The term of the principal non-cancellable lease arrangements ranges between 21 and 25 years and the lease receivables are adjusted upwards periodically by a specified rate. It also includes income from the lease of commercial property to tenants. The term of these leases ranges from 1 year to 10 years and the lease receivables are adjusted upwards periodically by specified rates.

Operating lease income receivable by the Company also includes income from the lease of land to a subsidiary. The term of the lease is of 25 years and the lease receivables are adjusted upwards periodically by a specified rate.

Where the lease income is adjusted periodically by a specified rate, the lease income is recognised on a straight-line basis over the lease term.

The Group's income above includes an amount of EUR 3,127,708 (2017: EUR 2,940,796) generated in relation to the business centre.

The amounts recognised by the Group as income during the year that are based on the higher of a percentage of sales and a minimum annual guarantee are EUR 13,099,310 (2017: EUR 11,137,376).

The amounts recognised by the Company as income during the year that are based on the higher of a percentage of sales and a minimum annual guarantee are EUR 12,030,128 (2017: EUR 10,180,868).

35. Material Contracts

The material contracts entered into by the Company during the year ended 31 December 2018 with its current and former substantial shareholders and their related parties are the following:

Malta Mediterranean Link Consortium Limited

The provision for Technical Services by the Company's strategic partners VIE Operations Limited and SNC-Lavalin Inc., gives rise to an expense of EUR 164,651 (2017: EUR 1,799,172).

The Government of Malta

i) The terminal and other land lease agreements with Malita Investments plc for EUR 1,144,809 (2017: EUR 1,144,809);

ii) The contract for contribution to the Malta Tourism Authority for EUR 232,937 (2017: EUR 232,937); the contracts for contributions payable towards the Route Development Fund that is administered by the Malta Tourism Authority for EUR 5,900,000 (2017: EUR 2,100,000); and a contract for the contribution for a calendar of events administered by the Malta Tourism Authority for EUR 1,100,000 (2017: -)

iii) The contract with the Armed Forces of Malta for the security of the restricted areas at the Airport for an expense of EUR 1,800,000 (2017: EUR 1,800,000);

iv) The provision of Air Navigation Services and other services by Malta Air Traffic Services Limited for an expense of EUR 921,173 (2017: EUR 921,173);

v) The provision of Meteorological Services and other services to Malta Air Traffic Services Limited for revenue of EUR 736,938 (2017: EUR 736,938);

vi) The contract with Enemalta Corporation for fuel throughput charges generated the amount of EUR 441,089 (2017: EUR 403,078) in revenue;

vii) Licence Fee payable to the Government of Malta for the airport operation amounting to EUR 496,157 (2017: EUR 595,320).

viii) The ground handling and concession agreements with Air Malta p.l.c. and its subsidiaries that generated income of EUR 1,693,791 (2017: EUR 1,531,604).

36. Parent Company

For the purposes of IFRS 10 – Consolidated Financial Statements, it is considered that Articles 58.2 and 58.7 of the Company's Articles of Association combine so as to give Malta Mediterranean Link Consortium Limited ("MMLC"), which has its registered office at Palazzo Pietro Stiges, 60 St. Christopher Street, Valletta, Malta, control over the Company. MMLC has a 40% equity interest in Malta International Airport p.l.c. (the "Company").

MMLC's majority shareholders are as follows: VIE (Malta) Limited (which has an equity interest of 57.1% in MMLC) and MMLC Holdings Malta Limited (previously SNC-Lavalin (Malta) Limited) (which has an equity interest of 38.75% in MMLC). During 2016, the shares in MMLC Holdings Malta Limited were acquired by VIE International Beteiligungsmanagement Gesellschaft mbH ("VINT") from SNC-Lavalin Group Inc.

VIE (Malta) Limited also holds an additional 10.1% equity stake in the Company.

Both VIE (Malta) Limited and MMLC Holdings Malta Limited are controlled by VINT. VINT does not produce consolidated financial statements. The ultimate parent of the Company is Flughafen Wien AG, whose registered office is Postfach 1, A-1300 Wien-Flughafen. Flughafen Wien AG's consolidated share in the Company amounts to 48.44%.

The financial results and financial position of the Company are included in the consolidated financial statements of Flughafen Wien AG. Copies of these consolidated financial statements may be obtained from Investor Relations department of Flughafen Wien or online.

37. Fair Values of Financial Assets and Financial Liabilities

At 31 December 2018 and 2017, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, comprising trade and other receivables, cash, current loans receivable, trade and other payables, and current bank loans approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value and that carry a floating rate of interest, comprising bank loans and loans receivable, are not materially different from their carrying amounts because they carry an arm's length interest rate that is repriced periodically and the margin continues to be reflective of the credit risk of the borrower at the year end.

The fair value of financial instruments measured at fair value through profit or loss (FVTPL) that were classified as available-for-sale prior to the initial application of IFRS 9 (see Note 4) is disclosed in Note 17.

The table below provides an analysis of financial instruments that are not measured subsequent to initial recognition at fair value (see Note 40), other than investments in subsidiaries and those with carrying amounts that are reasonable approximations of fair value, grouped into Levels 1 to 3:

The Group	**31 December 2018**		**31 December 2017**		
(in EUR)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Fair value level**
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST					
Bank loans	-	-	33,016,561	33,016,561	Level 2

The Company provided three loans to a subsidiary with variable interest rates (see Note 18). Since they carry an arm's length interest rate that is repriced periodically, their fair values are not materially different from their carrying amounts.

The Company	**31 December 2018**		**31 December 2017**		
(in EUR)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Fair value level**
FINANCIAL ASSETS MEASURED AT AMORTISED COST					
Loans to subsidiary	18,797,918	18,797,918	18,363,315	18,363,315	Level 2
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST					
Bank loans	-	-	31,291,524	31,291,524	Level 2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. Financial Risk Management

The Group's and the Company's principal financial liabilities comprise trade payables (and bank loans at 31 December 2017, which were repaid in 2018). The principal financial assets of the Group and the Company (other than investments in subsidiaries) are trade receivables, loans receivable, and cash and short-term deposits (and other investments at 31 December 2017, which were derecognised in 2018).

The carrying amount of principal financial instruments (other than investments in subsidiaries) are disclosed below:

		The Group		**The Company**	
(in EUR)	**Notes**	**2018**	**2017**	**2018**	**2017**
Other investments	17	**-**	107,578	**-**	107,578
Loans receivable	18	**-**	-	**18,797,918**	18,363,315
Trade and other receivables	21	**18,787,242**	14,292,981	**18,881,875**	13,887,287
Cash and cash equivalents	29	**20,253,186**	38,401,907	**18,553,003**	36,969,444
Financial liabilities at amortised cost	22/23	**10,397,844**	42,885,245	**10,665,747**	41,174,173

Net gains/(losses) arising from these financial instruments are classified as follows:

RECORDED IN PROFIT OR LOSS:					
Other investments	7	**(7,021)**	-	**(7,021)**	-
Loans receivable	7	**-**	-	**402,562**	114,529
Cash and cash equivalents	7	**-**	4,161	**-**	4,161
Financial liabilities at amortised cost	8	**(148,915)**	(3,808,536)	**(139,212)**	(342,542)
Trade and other receivables	21	**18,157**	14,289	**40,578**	14,289
RECORDED IN OTHER COMPREHENSIVE INCOME:					
Other investments	17	**-**	3,930	**-**	3,930

The main risks arising from the Group's and the Company's financial instruments are changes in interest rate, liquidity risk and credit risk, which are summarised below.

Interest Rate Risk

The Group and the Company have cash at bank balances as disclosed in Note 29 and, at 31 December 2017, also held bank facilities to finance their operations as disclosed in Note 23. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The Company has also granted interest-bearing loans to a subsidiary as disclosed in Note 18.

The Group and the Company are exposed to cash flow interest rate risk on financial instruments carrying a floating interest rate. Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its investing and financing structure.

38. *Financial Risk Management* (CONTINUED)

Interest Rate Risk Table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and Company's profit before tax. The Group and Company consider the reasonably possible changes in interest rates to be a change in 25 basis points.

	Increase or Decrease (basis points)	Effect on Profit before tax The Group (in EUR)	The Company (in EUR)
2018	+ 25	50,633	93,377
	- 25	(50,633)	(93,377)
2017	+ 25	13,463	57,236
	- 25	(13,463)	(57,236)

The effect on profit takes into consideration both interest payable and interest receivable based on the financial instruments as disclosed in Notes 18, 23 and 29.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group or the Company. Financial assets which potentially subject the Group and the Company to concentrations of credit risk, consist principally of the following:

- Trade and other receivables
- Cash at bank balances
- Loans receivable

Such financial assets are presented net of a loss allowance, where applicable. The maximum exposure to credit risk is the carrying amounts of every class of asset as disclosed in Notes 18, 21 and 29 respectively. In the comparative period, the Company had also granted security over bank loans of one of its subsidiaries, as disclosed in Note 23. This guarantee ceased upon settlement of the bank loans.

Management considers the quality of its financial assets as being acceptable, as further detailed below.

Allowances for provision for impairment on financial assets measured at amortised cost (2017: loans and receivables) are made in line with the accounting policies outlined in Note 40.

Trade and other receivables

Credit risk with respect to trade and other receivables is managed and assessed through the adherence to credit control procedures, which include client acceptance procedures, and is also limited through the number of customers comprising the Group's and Company's debtor base. Outstanding trade receivables are regularly monitored by management.

For trade receivables, the Group and the Company have applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

Where the Group has reasonable and supportable information that is available without undue cost or effort to measure LT-ECLs on an individual instrument basis, such an individual assessment is carried out. LT-ECLs on the remaining financial assets are measured on a collective basis, using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. *Financial Risk Management* (CONTINUED)

Trade receivables – tested individually:

The Group (in EUR)	LT-ECL (credit-impaired but not POCI)
Internal rating grades	
Performing	-
In default	98,836
Gross carrying amount at 31 December 2018	**98,836**
Loss allowance at 31 December 2018	(98,836)
Net carrying amount at 31 December 2018	**-**

The Company (in EUR)	LT-ECL (credit-impaired but not POCI)
Internal rating grades	
Performing	-
In default	70,696
Gross carrying amount at 31 December 2018	**70,696**
Loss allowance at 31 December 2018	(70,696)
Net carrying amount at 31 December 2018	**-**

Trade receivables – tested collectively:

The table below details the risk profile of trade receivables for which a provision matrix is applied:

The Group 31 December 2018 (in EUR)	Expected Credit Loss Rate	Gross Carrying Amount	LT-ECL	Net Carrying Amount
Current (not past due)	0.1%	7,525,738	7,526	7,518,212
30 to 90 Days	0.1%	8,592,934	8,593	8,584,341
91 to 180 Days	2.7%	422,536	11,408	411,128
181 to 270 Days	10.4%	27,196	2,828	24,368
271 to 360 Days	32.3%	11,972	3,869	8,103
> 360 Days	100.0%	28,793	28,793	-
		16,609,169	**63,017**	**16,546,152**

38. Financial Risk Management (CONTINUED)

The same Expected Credit Loss Rates are applied to the Company's debtors with a gross carrying amount of EUR 17,154,041, resulting in a net carrying amount of EUR 17,091,024 and a collective LT-ECL of EUR 63,017, of which an amount of EUR 30,833 is in relation to trade debtors that are more than 360 days past due.

The second largest single customer of the Group, Air Malta p.l.c., which is currently going through a restructuring process, accounts for EUR 3.4 million (2017: EUR 2.9 million) of the Group's trade and other receivables at year end and 23% (2017: 23%) of the Group's revenue for the year (recorded in all segments). The Company's exposure to this customer is not materially different to that of the Group. The maximum exposure to this customer during a period of increased trading, in particular in the summer months at normal credit terms, is expected to be in the region of EUR 5.4 million (2017: EUR 4.2 million). The Board feels confident that the Group's and the Company's exposure to Air Malta p.l.c. will not jeopardize in any way the Group's ability to continue operations for the foreseeable future and that Air Malta p.l.c. will meet its obligations.

Cash at bank balances

The cash at bank balances held by the Group and the Company are disclosed in Note 29.

Currently the Group holds its cash at bank balances with reputable and investment grade rated banking institutions (1 January 2018: BBB+ by Standard & Poor's and BBB by Fitch, 31 December 2018: BBB by Standard & Poor's and BBB by Fitch).

	The Group	The Company
(in EUR)	12m-ECL	12m-ECL
External rating grades BBB (Fitch), BBB (S&P)	20,253,186	18,553,003
Gross/Net Carrying Amount at 31 December 2018	**20,253,186**	**18,553,003**

Loans receivable

Loans receivable of the Company are disclosed in Note 18.

The credit risk in connection with the Company's loans receivable from a subsidiary is contained within the Group.

	The Company
(in EUR)	12m-ECL
Internal rating grades Performing	18,797,918
Gross/Net Carrying Amount at 31 December 2018	**18,797,918**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. Financial Risk Management (CONTINUED)

Liquidity Risk

The tables below summarise the maturity profile of the Group's and Company's financial liabilities at 31 December 2017 and 2018 based on contractual undiscounted payments.

The Group **31 December 2018** (in EUR)	Carrying Amount	Gross Cash Flows	< 1 year	1-5 Years	> 5 years
Other payables	8,352,995	8,352,995	8,352,995		
Trade payables	2,044,849	2,044,849	2,044,849		
	10,397,844	**10,397,844**	**10,397,844**	**-**	**-**

The Group **31 December 2017** (in EUR)	Carrying Amount	Gross Cash Flows	< 1 year	1-5 Years	> 5 years
Interest bearing bank borrowings	33,016,561	35,451,010	2,243,695	8,744,775	24,462,541
Other payables	6,521,996	6,521,996	6,521,996		
Trade payables	3,346,689	3,346,689	3,346,689		
	42,885,246	45,319,695	12,112,380	8,744,775	24,462,541

The Company **31 December 2018** (in EUR)	Carrying Amount	Gross Cash Flows	< 1 year	1-5 Years	> 5 years
Other payables	8,663,238	8,663,238	8,663,238		
Trade payables	2,002,509	2,002,509	2,002,509		
	10,665,747	**10,665,747**	**10,665,747**	**-**	**-**

The Company **31 December 2017** (in EUR)	Carrying Amount	Gross Cash Flows	< 1 year	1-5 Years	> 5 years
Interest bearing bank borrowings	31,291,524	33,410,682	2,118,366	8,250,787	23,041,529
Other payables	6,608,953	6,608,953	6,608,953		
Trade payables	3,273,696	3,273,696	3,273,696		
	41,174,173	43,293,331	12,001,015	8,250,787	23,041,529

The Group monitors and manages its risk to a shortage of funds by monitoring forecast and actual cash flows. The Company has no additional undrawn bank facilities (2017: EUR 2.5 million) earmarked for capital expenditure projects and no overdraft facilities (2017: no overdraft facilities).

38. Financial Risk Management
(CONTINUED)

Capital Management
One of the objectives of the Group and the Company is to ensure that it maintains a strong credit rating and healthy capital ratios by means of proper management of its capital. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. No changes were made in the objectives and processes during the years ended 31 December 2018 and 31 December 2017.

The Company monitors its capital requirement on a periodic basis taking into account its current requirements. Capital includes equity attributable to the equity holders and other reserves (and bank loans at 31 December 2017, which were repaid in 2018). Based on recommendations of the directors, the Group and the Company balance their overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's and Company's policy in managing capital has remained unchanged from the prior year.

39. Events after the Reporting Period
Subsequent to 31 December 2018, the Company has granted an unsecured loan of EUR 20 million to one of its subsidiaries for the construction of a multi-storey car park on the site of the temporary emphyteusis. The interest rate comprises a margin which is over and above the bank base rate.

In addition, the Company replaced the existing concession agreement with one of its subsidiaries governing the operation of car parks on land held by the Company with a lease agreement for the areas on which the car parks are situated. The lease agreement commenced on 1 January 2019 and covers a term of 30 years.

Other than the above, all events occurring after the balance sheet date until the date of authorisation for issue of these financial statements and that are relevant for valuation and measurement as of 31 December 2018 for the Group and the Company, such as outstanding legal proceedings or claims for damages and other obligations or impending losses that must be recognised or disclosed in accordance with IAS 10 – are included in these consolidated financial statements.

40. Significant Accounting Policies
SCOPE OF CONSOLIDATION

The consolidated financial statements include all subsidiaries, with the exception of Kirkop PV Farm Limited, as its economic significance and influence on the financial position, financial performance and cash flows of the Group is immaterial. The net liability position of Kirkop PV Farm Limited is under EUR 3,000 (2017: under EUR 3,000). Kirkop PV Farm Limited did not commence to trade by the balance sheet date.

The 2018 and 2017 consolidated financial statements include Malta International Airport p.l.c as well as three domestic subsidiaries that are controlled by Malta International Airport p.l.c.

Subsidiaries included in the consolidated financial statements 2018 and 2017 are Airport Parking Limited, Sky Parks Development Limited and Sky Parks Business Centre Limited. For financial information on these subsidiaries see Note 16.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control or from the date of set-up under the control of the Company, and continue to be consolidated until the date such control ceases.

FAIR VALUE
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

40. Significant Accounting Policies
(CONTINUED)

FAIR VALUE (CONTINUED)

- ***Level 1*** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- ***Level 2*** inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- ***Level 3*** inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of every reporting period.

PROPERTY, PLANT AND EQUIPMENT
The Group's and the Company's property, plant and equipment are classified into the following classes – land held as temporary emphyteusis, buildings and furniture, fixtures, plant and equipment.

Property, plant and equipment are initially measured at cost. Such cost includes borrowing costs for long-term construction projects, if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Group or the Company and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Subsequent to initial recognition, buildings are stated at revalued amounts close to the date of the privatisation of the Company in 2002 less any accumulated depreciation and any accumulated impairment losses. Other tangible assets are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Every year, the difference between depreciation of buildings based on their fair value close to the date of the privatisation of the Company in 2002 and depreciation based on the asset's original cost prior to the original revaluation is transferred from the revaluation reserve to retained earnings. When the asset is derecognised, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount. Any gains or losses arising on derecognition are included in profit or loss in the year the asset is derecognised.

Land held on temporary emphyteusis relates to the land assigned to the Group and the Company by title of temporary emphyteusis. The value of the land held on temporary emphyteusis is amortised over the remaining term of the lease.

PROPERTIES IN THE COURSE OF CONSTRUCTION
Properties in the course of construction for production supply or administrative purposes are classified as property, plant and equipment and are carried at cost less any identified impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy on borrowing costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for use.

Properties in the course of construction for future use as investment property are classified as investment property. Existing investment property that is being redeveloped for continued future use as investment property continues to be classified as investment property.

INVESTMENT PROPERTY
Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are recognised in profit or loss in the period of derecognition.

40. Significant Accounting Policies (CONTINUED)

DEPRECIATION

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss, so as to write off the cost less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Land held on temporary emphyteusis	by equal annual instalments over the remaining term of the emphyteusis
Buildings	2% - 4-5% per annum
Furniture, fixtures, plant and equipment	10% - 33 1/3% per annum
Investment property	5% - 15% per annum

The depreciation method applied, the residual value and the useful life are reviewed at every financial year end and adjusted prospectively, as appropriate.

BORROWING COSTS

Borrowing costs include the costs incurred in obtaining external financing and mainly consist of interest on bank loans. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred.

INVESTMENTS IN SUBSIDIARIES

A subsidiary is an entity that is controlled by the Company. The Company controls an investee when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investment in subsidiaries in the separate financial statements of the Company is accounted for on the basis of the direct equity interest and is stated at cost less any provisions for impairment, where in the opinion of the directors, any impairment in value has taken place. Dividends from the investment are recognised in profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS AND INVESTMENTS IN SUBSIDIARIES

At every reporting date, the carrying amount of assets, other than financial assets measured at amortised cost (2017 – loans and receivables), including property, plant and equipment, investment property and investments in subsidiaries is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of such assets tested for impairment, the recoverable amount is the higher of fair value (which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) less costs of disposal and value-in-use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised in other comprehensive income against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

An impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in other comprehensive income, unless an impairment loss on the same asset was previously recognised in profit or loss.

40. Significant Accounting Policies (CONTINUED)

OTHER FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group entities become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset, and the net amount presented in the Statement of Financial Position when the Group entities have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition. Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares issued by the Company are classified as equity instruments.

OTHER FINANCIAL ASSETS

This accounting policy is in relation to the following other financial assets:

- Trade and other receivables
- Cash at bank balances
- Loans receivable

<u>Comparative year</u>

In the comparative year, the significant accounting policies for other financial assets were as follows:

- **Trade and other receivables** are classified with current assets and are stated at their nominal value unless the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.
- **Available-for-sale financial assets** are those non-derivative financial assets that are either designated in this category by the Group and the Company or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are measured at their fair value, except for investments in equity instruments that do not have a quoted price in an active market for an identical instrument (that is, a Level 1 input) and whose fair value cannot be reliably measured, which are measured at cost. Where applicable gains and losses arising from a change in fair value are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.
- **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the company may not recover substantially all of its initial investment other than because of credit deterioration. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

<u>Current year</u>

In the current year, the significant accounting policies for other financial assets are as follows:

On initial recognition, a financial asset is classified as measured at either amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics:

- A financial asset is measured at AC if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its cash flows are solely payments of principal and interest on the principal amount outstanding, to the extent that the financial asset is not designated at FVTPL (fair value option).

40. Significant Accounting Policies
(CONTINUED)

OTHER FINANCIAL ASSETS (CONTINUED)

- A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its cash flows are solely payments of principal and interest on the principal amount outstanding, to the extent that the financial asset is not designated at FVTPL (fair value option).

- An equity investment that is not held for trading may be irrevocably designated as at FVOCI with any subsequent changes in fair value being presented in OCI. This election is made on an investment-by-investment basis. Otherwise, the equity investment is measured at FVTPL.

- All financial assets not classified as measured at AC or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI to be measured at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group and the Company determine the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The following accounting policies apply to the subsequent measurement of financial assets:

Classification	Subsequent Measurement
Financial Assets at FVTPL	Other investments are classified in this category. These assets are subsequently measured at FV and net gains and losses are recognised in profit or loss.
Financial Assets at AC	The following financial assets are classified within this category – trade and other receivables, cash at bank and loans receivable. These assets are subsequently measured at AC using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Trade receivables which do not have a significant financing component are initially measured at their transaction price and are subsequently stated at their nominal value less any loss allowance for expected credit losses.
Debt Investments at FVOCI	The Group and the Company do not have any financial assets classified within this category. These assets are subsequently measured at FV. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity Investments at FVOCI	The Group and the Company do not have any financial assets classified within this category. These assets are subsequently measured at FV. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

40. Significant Accounting Policies
(CONTINUED)

IMPAIRMENT OF OTHER FINANCIAL ASSETS

Comparative year
In the comparative year, the significant accounting policies for the impairment of other financial assets were as follows:

At every reporting date, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of receivables, evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

In addition to the above loss events, objective evidence of impairment for an investment in an equity instrument includes information about significant changes which indicate that the cost of the investment in the equity instrument may not be recovered.

For receivables, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount is reduced directly.

The impairment loss on investments in equity instruments that do not have a quoted price in an active market for an identical instrument (that is, a Level 1 input) and whose fair value cannot be reliably measured is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

When a decline in the fair value of an available-for-sale asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative impairment loss that had been directly recognised through other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment and is measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

An impairment loss recognised in a prior year on assets other than equity instruments carried at cost because fair value cannot be reliably measured is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in other comprehensive income, unless an impairment loss on the same asset was previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an available-for-sale investment in an equity instrument are not reversed through profit or loss. Impairment losses recognised in profit or loss for an available-for-sale investment in a debt instrument are reversed through profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

The impairment loss on investments in equity instruments that do not have a quoted price in an active market for an identical instrument (that is, a Level 1 input), and whose fair value cannot be reliably measured is not reversed in a subsequent year.

40. Significant Accounting Policies (CONTINUED)

IMPAIRMENT OF OTHER FINANCIAL ASSETS (CONTINUED)

Current year
Credit losses are determined based on the ECL model. The ECL model applies to financial assets measured at amortised cost, debt investments at FVOCI, lease receivables and contract assets, but not to investments in equity instruments. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since the initial recognition.

ECLs are probability-weighted estimates of credit losses with the respective risks of a default occurring as the weights. Credit losses are measured at the present value of all expected cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset. The measurement of ECLs is a function of the probability of default, loss given default (that is, the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information, where applicable. Forward-looking information considered includes economic and industry indicators such as GDP, unemployment rates and/or industry projections as well as factors that are specific to the debtors, unless the effect is considered to be immaterial.

ECLs are determined by means of a three-stage model for impairment (the general approach) based on changes in credit risk since initial recognition.

- **Stage 1** includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month ECLs (12-M-ECLs) are recognised. 12-M ECLs are the ECLs that result from default events that are possible within 12 months after the reporting date.

- **Stage 2** includes financial instruments that have had a significant increase in credit risk since initial recognition - unless they have low credit risk at the reporting date - but that do not have objective evidence of impairment. For these assets, lifetime ECLs (LT-ECLs) are recognised. LT-ECLs are the ECLs that result from all possible default events over the expected life of a financial asset.

- **Stage 3** includes financial assets that have objective evidence of impairment at the reporting date. For these assets, LT-ECLs are recognised. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Impairment gains or losses are recognized in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Loss allowances are measured according to the above outlined three-stage model (the general approach) except for trade receivables and contract assets that do not contain a significant financing component or for which the practical expedient for contracts that are one year or less is applied. For these financial assets the simplified approach is applied and LT-ECLs are recognised.

Simplified approach
The Group applies the simplified approach for trade receivables and contract assets that do not contain a significant financing component. The Group's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

Where the Group does not have reasonable and supportable information that is available without undue cost or effort to measure LT-ECLs on an individual instrument basis and in order to ensure that LT-ECLs are recognised before an asset becomes credit-impaired or an actual default occurs, LT-ECLs on the remaining financial assets are measured on a collective basis.

In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the LT-ECLs are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Group's view of economic conditions over the expected lives of the receivables. Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

40. Significant Accounting Policies (CONTINUED)

IMPAIRMENT OF OTHER FINANCIAL ASSETS (CONTINUED)

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition: an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating, significant deterioration in external market indicators of credit risk for a particular financial instrument, existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the borrower's ability to meet its debt obligations, an actual or expected significant deterioration in the operating results of the borrower, an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant decrease in the borrower's ability to meet its debt obligations.

Forward-looking information considered includes economic and industry indicators such as GDP, unemployment rates and/or industry projections as well as factors that are specific to the debtors, unless the effect is considered to be immaterial

Irrespective of the outcome of the above assessment, it is presumed that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless there is reasonable and supportable information, that is available without undue cost or effort, that demonstrates otherwise.

Despite the aforegoing, it is assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. A financial asset is considered to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions. The Group and the Company have applied the low credit risk assumption for the following classes of financial assets – cash at bank with an external credit rating of Investment grade.

Definition of default
For internal credit risk management purposes, the Group considers it as constituting an event of default when historical experience or information indicates that a financial asset is generally not recoverable as the debtor is unlikely to pay its creditors in full, without taking into account any collateral held by the Group or the Company.

Irrespective of the above analysis, default is considered to have occurred when a financial asset is more than 90 days past due unless reasonable and supportable information is available to demonstrate that a more lagging default criterion is more appropriate. The Group and the Company rebut the 90 days past due presumption for trade receivables since it has reasonable and supportable information to demonstrate that a more lagging default criterion of 360 days past due is more appropriate.

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: significant financial difficulty of the issuer or the borrower, a breach of contract, such as a default or delinquency in interest or principal payments, the probability to enter bankruptcy or other financial reorganisation, the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider, the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40. Significant Accounting Policies (CONTINUED)

IMPAIRMENT OF OTHER FINANCIAL ASSETS (CONTINUED)

Write-off policy
The Group and the Company write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

FINANCIAL LIABILITIES
This accounting policy is in relation to the following financial liabilities:

- Bank and other borrowings
- Trade and other payables

Bank and other borrowings
Subsequent to initial recognition, interest-bearing bank loans or other borrowings are measured at amortised cost using the effective interest rate method. Other borrowings are measured at amortised cost using the effective interest rate method, unless the effect of discounting is immaterial. Interest expenses are recognized in profit or loss.

Trade payables
Trade payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material.

CASH AND SHORT-TERM DEPOSITS
Cash and short-term deposits comprise cash on hand, demand deposit and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and short-term deposits are stated at nominal amounts, being the amount recognised at inception.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion.

REVENUE RECOGNITION
The Group and the Company generate income from regulated revenue, unregulated revenue and leases.

- **Regulated revenue** comprises income from aviation services which arise from income from passenger services charges, security fees as well as aircraft landing and parking fees.

- **Unregulated revenue** consists of PRM charges, income from ground handling charges, certain car parking revenue, income from VIP services as well as meteorological services and other income.

- **Revenue from leases** reflects all income from renting office, retail, food and beverage, and advertising space including commissions based on sales as well as income from renting car parks. The accounting policies for this revenue stream are addressed under "Leases" below.

The remainder of this Note addresses the following revenue from contracts with customers – regulated revenue and unregulated revenue.

<u>Comparative year</u>
In the comparative year, the significant accounting policies for the recognition of revenue from the provision of services were as follows:

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value-added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and the Company and that these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from the provision of services is recognised in the year in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

40. Significant Accounting Policies (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

<u>Current year</u>
In the current year, the significant accounting policies for the recognition of revenue are as follows:

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group and the Company recognise such revenue when (or as) they satisfy a performance obligation by transferring control of a promised good or service to the customer.

Regulated revenue
Regulated revenue constitutes income based on fees that are subject to the Airport Economic Regulations. These fees are charged to airlines and aircraft operators for the use of the airport infrastructure and include passenger service charges as well as landing, parking and security fees.

The performance obligation is to make the airport available as and when every airline makes use of it. The transaction price follows a set fee structure and is based on a variety of underlying metrics, such as the number of departing passengers, and the maximum take-off weight, which metrics become known by the time the services are provided and thus no significant estimates are required in this respect.

In determining the transaction price, consideration is taken of variable fee-reducing rebates based on incentive agreements. Incentives are deducted from revenue in full and are included within the line item 'Trade and other payables'. Any such incentives which are not taken up are recognised as revenue only when it is highly probable that a significant reversal will not occur, that is, when the uncertainty associated with the incentives is subsequently resolved.

The performance obligation in relation to regulated revenue is satisfied over time, which corresponds to the revenue recognition methodology applied in terms of IAS 18. A receivable is recognised as the services are provided and included in the line item 'Trade and other receivables' until the actual payment is made by the respective customers.

In determining the transaction price, consideration is also made of contributions payable to airlines through a government entity, in an effort to improve the number of passengers departing from the airport, thus resulting in additional revenues to the Company and the Group. Such contributions are payable to an Air Route Development Fund that is administered by the government entity, with a particular focus being made on the timing and destination of strategic routes which result in increased revenues. The allocations that are made by this Fund to the respective airlines are subject to the satisfaction by the airlines of the conditions attaching to eligibility for such contributions and accordingly any revenues disclosed in Notes 5 and 33 are gross of any such contributions. The amounts payable by the Company and the Group to the Fund are non-refundable and vary with the number of passenger departures, subject to a fixed cap. These amounts are treated as a reduction of the transaction price (and therefore, of revenue) since such payments are not considered to be in exchange for a distinct good or service that the customers, or the government entity, transfer to the Company or the Group. These amounts are included within the line item 'Trade and other payables' until they are settled. No estimates are required in this regard since the extent of the consideration payable is dependent on the number of passenger departures and thus corresponds to the Company's and the Group's efforts to satisfy its performance obligation, with such allocation being consistent with the objective of allocating the transaction price in an amount that depicts the amount of consideration to which the Company and the Group expect to be entitled in exchange for transferring the promised services to the customers.

Unregulated revenue
Unregulated revenue is income based on charges that are not regulated, but subject to fee structures that are negotiated with the Group's customers. Fees for every service are uniform among all customers.

- **PRM fees** are charged to airlines in order to recover costs emanating to the Group for the provision of assistance to persons with reduced mobility (PRM) in line with Regulation (EC) 1107/2006. The performance obligation is to arrange the required services for persons with reduced mobility on behalf of the airline or aircraft operator. The transaction price is represented by a set fee that is based on the number of departing passengers of an airline or aircraft operator. The performance obligation is satisfied over time.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40. Significant Accounting Policies (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

- **Ground handling concession income** is revenue from ground handling and infrastructure providers for the right to provide their services (ground handling, fuelling) within the airport perimeter for the duration of the respective contracts. The performance obligation is to make the maintained airport infrastructure and equipment available so that the ground handling provider is able to provide its services to airlines and aircraft operators. The transaction price follows a fee structure that is based on a variety of underlying metrics, such as the number of departing passengers, aircraft movements, maximum take-off weight, kilograms of freight and mail and litres of fuel. The Group has determined that it provides a daily service of access that is distinct, with the uncertainty related to the consideration receivable being also resolved on that basis and accordingly no further estimates are required in this regard. The performance obligation is satisfied over time, which corresponds to the revenue recognition methodology applied in terms of IAS 18. A receivable is recognised as the services are provided and included in the line item "Trade and other receivables" until the actual payment is made by the respective ground handling provider.

- **Car parking income** primarily represents revenue generated through the provision of car parking spaces at the car parks within the airport perimeter, other than revenue from rental income resulting from the lease of car parks which is addressed by the accounting policy on leases. The performance obligation is to provide and maintain car parking space for the duration of the stay. The transaction price follows a pre-determined fee structure that is based on parking time and that is payable immediately upon use. The performance obligation is satisfied over time. Besides, income from the sale of car park access cards, which allow customers to make use of the car park over a fixed period of time, is recognised over time on straight-line basis for the duration of the contract. The accounting policy for car parking income corresponds to the revenue recognition methodology applied in terms of IAS 18.

- **Income from VIP services** primarily represents revenue generated through the provision of services, such as access to airport lounges and ancillary services (e.g. porterage, meet-and-greet). The Group's performance obligation is to provide the services if and when requested by customers in line with underlying terms and conditions. The transaction price follows a fixed price structure. The performance obligation is satisfied over time, which corresponds to the revenue recognition methodology applied in terms of IAS 18. In addition, the Group issues membership cards that enable members to make use of a variety of VIP services and facilities provided by the airport, such as lounges and access to car parks, over a fixed period. Such revenue is recognised over time on a straight-line basis for the duration of the contract with any deferred income being recognised as a contract liability within the line item 'Trade and other payables'. The accounting policy corresponds to the revenue recognition methodology applied in terms of IAS 18.

- **Revenue from meteorological services** is generated from the provision of meteorological services to Malta Air Traffic Services (MATS). The Group's performance obligation is to provide meteorological services in respect of air navigation as well as for public, maritime and agricultural purposes and to maintain the equipment and facilities necessary to do so over the specified contractual period. The transaction price is a contractually agreed amount recognised over the term of the agreement. The performance obligation is satisfied over time, which corresponds to the revenue recognition methodology applied in terms of IAS 18.

In addition to the above-mentioned revenue streams, the Group and the Company generate other income that is classified within unregulated revenue, which arises from a variety of services, such as the issuance of security passes, the provision of luggage trolleys, lost and found services and left luggage.

INTEREST INCOME

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost or at FVTOCI. Interest income is recognised to the extent that it is probable that future economic benefits will flow to the Group entity and these can be measured reliably.

GRANTS

Grants are recognised when there is reasonable assurance that all the conditions attached to them are complied with and the grants will be received. Grants related to income are recognised in the profit or loss

40. Significant Accounting Policies (CONTINUED)

GRANTS (CONTINUED)

over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Such grants are presented as part of profit or loss. Grants related to assets are presented in the Statement of Financial Position as deferred income, which is recognised as income on a systematic basis over the useful life of the asset.

DEFERRED INCOME

Deferred income arising from the gain on disposal of the buildings and fixtures that took place on the date of the privatisation of the Company in 2002 is transferred separately to the income statement in equal annual instalments over the remaining life of the underlying assets.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Where the Company is a lessee, rentals payable under operating leases less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the users' benefit. Where the Company is a lessor, rentals receivable under operating leases are recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

TAXATION

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly in other comprehensive income or directly in equity, in which case the current and deferred tax is also dealt with in other comprehensive income or equity as appropriate.

The charge for current tax is based on the taxable result for the year. The taxable result for the year differs from the result as reported in profit or loss because it excludes items which are non-taxable or disallowed for tax purposes and it further excludes items that are taxable or deductible in other periods. The tax charge is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets (including deferred tax assets for the carry forward of unused tax losses and unused tax credits) are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences (or the unused tax losses and unused tax credits) can be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. Deferred tax assets and liabilities are offset when the Group and the Company have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes are levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which satisfy certain criteria.

EMPLOYEE BENEFITS

Employee benefits include short-term benefits and post-employment benefits.

Short-term employee benefits

The Group and the Company contribute towards the state pension fund in accordance with local legislation. The only obligation of the Group and the Company is to make the required contribution. Costs are expensed in the year in which they are incurred.

Retirement plans

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with estimations being carried out at each reporting date. Past service cost is recognised as an expense at the earlier of the following dates (a) when the plan amendment or curtailment occurs and

40. Significant Accounting Policies (CONTINUED)

EMPLOYEE BENEFITS (CONTINUED)

(b) when the entity recognises related restructuring costs or termination benefits. The amount recognised in the Statement of Financial Position represents the present value of the expected future payments required to settle the obligation resulting from employee service in the current and prior periods. The service cost and the net interest on the net defined benefit liability are recognised in profit or loss.

Remeasurements of the net defined benefit liability, comprising actuarial gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss in a subsequent period. Such remeasurements are reflected immediately in retained earnings.

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from experience adjustments and the effects of changes in actuarial assumptions. Actuarial assumptions are an entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits.

PROVISIONS

Provisions are recognised when the company has a present legal or constructive obligation 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 directors' best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

CURRENCY TRANSLATION

Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated to the functional currency at the spot rate of exchange ruling at the date of the Statement of Financial Position. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a currency other than the functional currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a currency other than the functional currency are translated using the exchange rates at the date when the fair value is determined.

DIVIDENDS

Dividends to holders of equity instruments are recognised as liabilities in the year in which they are declared.

INDEPENDENT AUDITOR'S REPORT
to the members of Malta International Airport p.l.c.

Report on the audit of the financial statements

OPINION

We have audited the individual financial statements of Malta International Airport p.l.c. (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group), set out on pages 101 to 160, which comprise the Statements of Financial Position of the Company and the Group as at 31 December 2018, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Company and the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and of the Company's and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that are relevant to our audit of the financial statements in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A(1) of the Accountancy Profession Act (Cap. 281).

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. The key audit matters described below pertain to the audit of both the individual and the consolidated financial statements. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Impact of new accounting standards
Significant changes in accounting standards relevant to the Company and the Group (together, MIA) came into effect for the financial year ended 31 December 2018. In particular, IFRS 15 - *Revenue from Contracts with Customers* established a comprehensive framework for considering whether, how much and when revenue is recognised, and included in IFRS 9 - *Financial Instruments* (as revised in 2014) is a new model of expected credit losses to calculate impairment of financial assets. IFRS 16 - Leases is effective as from the financial year ending 31 December 2019, and brings most leases on-balance sheet for lessees under a single model, thus eliminating for lessees the distinction between operating and finance leases. Given the significance of MIA's leasing transactions, the application of this standard is expected to result in significant adjustments to the financial statements for the year ending 31 December 2019.

Our audit procedures included use of IFRS specialists to assess in particular (a) the manner in which MIA implemented the new standards on revenue and expected credit losses for the financial year ended 31 December 2018, including the revision of applicable accounting policies and the inclusion of the required additional disclosures; and (b) MIA's assessment of the impact of the implementation of the new requirements on lessee accounting for the financial year ending 31 December 2019, including the nature and extent of the required disclosures thereon in the financial statements for the year ended 31 December 2018.

MIA's disclosures on this matter are primarily set out in notes 4.1, 4.2, 6, 21 and 38, with the accounting policies explained in note 40 to the financial statements.

Accounting for the lease expense in relation to non-commercial areas
The calculation of the lease expense in relation to non-commercial areas, being site areas with restricted access, is a matter of applied estimation and judgement by the directors. MIA have lease payments payable to Malita Investments plc (previously to the Maltese Government) on an original temporary emphyteutical term of 65 years and the lease payments are adjusted upwards periodically by a specified rate over the lease term. The recognition of the lease expense in relation to non-commercial areas is systematically made on the basis of expected passenger movements, which is considered by the directors to be most representative of the time pattern of MIA's expected benefit from the use of the site areas with restricted access over the lease term.

Our audit procedures included the use of IFRS specialists to assess whether the methodology applied by MIA is in accordance with the requirements of IFRS. MIA's computations, which include a judgemental estimate of passenger movements over the term of the lease, were reviewed and tested for mathematical accuracy. A sensitivity analysis to assess the impact of changes in significant assumptions underlying the calculations was also performed. We also reviewed the adequacy of the disclosures in the financial statements.

MIA's disclosures on this matter are set out in notes 3 and 34 to the financial statements.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND THE AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises (i) the General Information, the Directors' report, the Statement of Directors' Responsibilities and the Corporate Governance Statement of Compliance, which we obtained prior to the date of this auditor's report, and (ii) the Chairman's message, the Chief Executive Officer's review, information on strategy and employees, the Aviation report, the Retail & Property report, the Sustainability Report, and supporting key data, investments and outlook information which is expected to be made available to us after the date of this audit report. However, the other information does not include the individual and consolidated financial statements and our auditor's report thereon.

Except for our opinions on the Directors' Report in accordance with the Companies Act (Cap. 386) and on the Corporate Governance Statement of Compliance in accordance with the Listing Rules issued by the Maltese Listing Authority, our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosure requirements of article 177 of the Companies Act (Cap. 386), and the statement required by Listing Rule 5.62 on the Company's and the Group's ability to continue as a going concern.

When we read the other information expected to be made available to us after the date of this audit report and set out in paragraph (ii) above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and, if necessary, to take appropriate action, considering our legal rights and obligations, to seek to have an uncorrected material misstatement appropriately brought to the attention of users for whom the auditor's report is prepared, for example by addressing the matter in a general meeting of shareholders.

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' Report on pages 81 to 89, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the individual and consolidated financial statements are prepared is consistent with those financial statements; and
- the Directors' Report has been prepared in accordance with the applicable legal requirements.

In the light of the knowledge and understanding of the Company, the Group and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' Responsibilities on page 90, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and the requirements of the Companies Act (Cap.386), and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors have delegated the responsibility for overseeing the Company's and the Group's financial reporting process to the Audit Committee.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

In terms of article 179A(4) of the Companies Act (Cap. 386), the scope of our audit does not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the entity.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

REPORT ON CORPORATE GOVERNANCE STATEMENT OF COMPLIANCE

Pursuant to Listing Rule 5.94 issued by the Malta Financial Services Authority, in its capacity as the Listing Authority in Malta, the directors are required to include in the Company's annual financial report a Corporate Governance Statement of Compliance explaining the extent to which they have adopted the Code of Principles of Good Corporate Governance set out in Appendix 5.1 to Chapter 5 of the Listing Rules, and the effective measures that they have taken to ensure compliance with those principles. The Corporate Governance Statement of Compliance is to contain at least the information set out in Listing Rule 5.97.

Our responsibility is laid down by Listing Rule 5.98, which requires us to include a report to shareholders on the Corporate Governance Statement of Compliance in the Company's annual financial report.

We read the Corporate Governance Statement of Compliance and consider the implications for our report if we become aware of any information therein that is materially inconsistent with the financial statements or our knowledge obtained in the audit, or that otherwise appears to be materially misstated. We also review whether the Corporate Governance Statement of Compliance contains at least the information set out in Listing Rule 5.97.

We are not required to, and we do not, consider whether the directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate Governance Statement of Compliance set out on pages 91 to 100 has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION UNDER THE COMPANIES ACT

Under the Companies Act (Cap.386), we have responsibilities to report to you if in our opinion:
- proper accounting records have not been kept;
- proper returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns; or
- we have been unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

We have nothing to report to you in respect of these responsibilities.

AUDITOR TENURE

We were first appointed by the members of the Company to act as statutory auditor of the Company and the Group, following the Company's equity listing in December 2002, on 9 July 2003 for the financial year ended 31 March 2004, and were subsequently reappointed as statutory auditor by the members of the Company on an annual basis. The period of total uninterrupted engagement as statutory auditor including previous reappointments of the firm since the Company became a public interest entity covers financial periods totalling 15 years and 9 months.

CONSISTENCY OF THE AUDIT REPORT WITH THE ADDITIONAL REPORT TO THE AUDIT COMMITTEE

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with the provisions of article 11 of the EU Audit Regulation No. 537/2014.

Bernard Scicluna AS DIRECTOR
IN THE NAME AND ON BEHALF OF
DELOITTE AUDIT LIMITED
REGISTERED AUDITOR
MRIEĦEL, MALTA

20 FEBRUARY 2019

Notes