Report 2016

Malta International Airport plc

VISION

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

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INTRODUCTION & AIRPORT SHARES

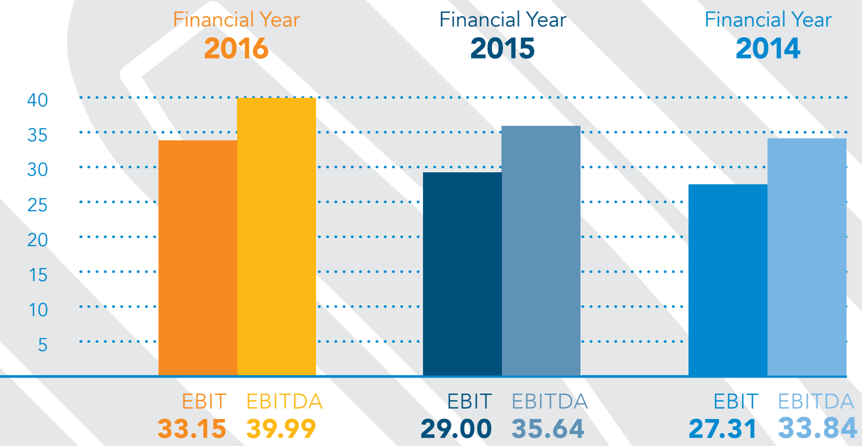
KEY DATA

A summary and three-year comparison of key indicators that help gauge our performance, from a financial, industry & stock market position.

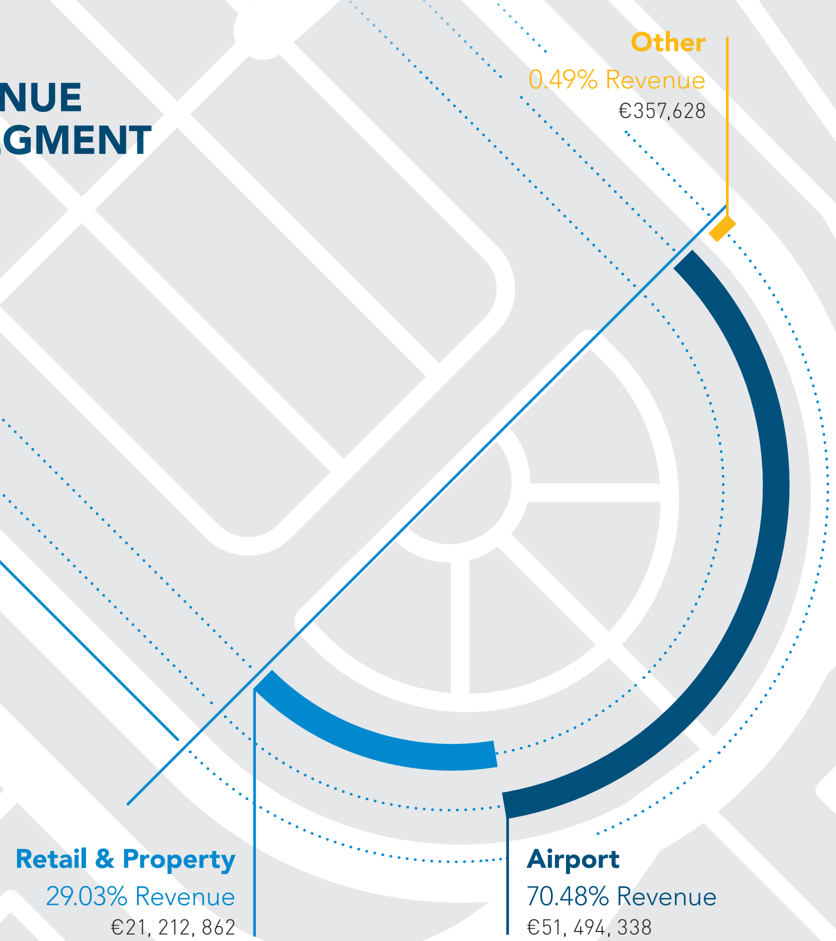
Financial Indicators (in € Million)	Financial Year 2016	Change in %	Financial Year 2015	Change in %	Financial Year 2014
Total turnover	73.06	9.1	66.97	4.2	64.29
Thereof Aviation	51.49	10.9	46.45	4.0	44.65
Thereof Non-Aviation	21.57	5.1	20.52	4.5	19.64
EBIT	33.15	14.3	29.00	6.2	27.31
EBIT margin in %	45.37	4.8	43.30	1.9	42.48
EBITDA	39.99	12.2	35.64	5.3	33.84
EBITDA margin in %	54.74	2.8	53.22	1.1	52.64
ROCE in %	20.64	21.8	16.94	4.5	16.21
Net Profit	20.98	8.9	19.27	14.5	16.83
Cash flow from operating activities	27.30	(7.5)	29.52	53.0	19.30
Equity	85.10	9.5	77.69	5.5	73.62
Balance sheet total	172.36	0.3	171.91	3.7	165.70
Capital expenditure	7.16	(0.4)	7.19	19.6	6.01
Taxes on income	11.41	8.5	10.52	14.0	9.23
Average employees for the year	304	(0.7)	306	(3.2)	316
Industry Indicators					
MTOW in million tonnes	3.04	6.3	2.86	5.9	2.70
Passengers in million	5.08	10.0	4.62	7.7	4.29
Thereof transfer passengers	5,827	(32.5)	8,635	(10.6)	9,664
Flight movements	35,800	4.4	34,283	6.3	32,247
Cargo in tonnes	14,210	(5.0)	14,964	5.6	14,176
Seat occupancy in %	83.30	2.7	81.10	1.8	79.70
Stock Market Indicators					
Shares outstanding in million	135.30	-	135.30	0.0	135.30
P/E ratio	26.13	(7.9)	28.38	49.8	18.95
Earnings per share in €	0.155	9.2	0.142	14.5	0.124
Net Dividend per share in € *	0.100	0.0	0.100	(9.1)	0.110
Net Dividend yield in %	2.469	(0.5)	2.481	(47.0)	4.681
Pay-out ratio as a % of net profit	64.48	(8.2)	70.21	(20.6)	88.40
Market capitalisation in € million	547.97	0.5	545.26	71.5	317.96
Stock price: high in €	4.76	17.5	4.05	68.8	2.40
Stock price: low in €	4.00	69.5	2.36	9.8	2.15
Stock price in €	4.05	0.5	4.03	71.5	2.35
Market weighting in %	12.10	(4.0)	12.60	25.5	10.04

** Reporting year: recommendation to the Annual General Meeting*

EBITDA & EBIT IN € MILLION



REVENUE BY SEGMENT



CHAIRMAN'S MESSAGE

2016 was marked by various successes at Malta International Airport and our projections indicate that the year ahead should be another successful one.

Our vision of offering the best airport experience in Europe continued to lead us forward, with our team devoting its energies to realising it by seeking to deliver an excellent service to guests passing through our terminal. The number of guests we welcomed throughout the year continued to grow, registering an increase of 10 per cent over 2015. This upturn is even more significant when compared it to the 'robust' 6.7 per cent increase experienced by EU airports, according to Airport Council International's (ACI) annual traffic report.

Everyone's joint efforts led Malta International Airport to obtain third place in ACI's Airport Service Quality (ASQ) survey in the Best Airport by Region (Europe) category. We have now featured among the top five airports in this category for a number of years, but this year's score of 4.25, indicating overall passenger satisfaction, is the highest we have reached to date. While we acknowledge this achievement with pride, we will strive to raise this score by focusing on service excellence, investment, and sustainability, while working in close cooperation with all our partners.

All facets of sustainability are very important to our Company, especially since Malta International Airport's operations bear social, environmental and financial impacts on its neighbouring communities and Malta as a whole. Going forward, we shall strive to adopt more sustainable practices that enable us to contribute positively to our islands in the medium to long term. Moreover, operating in a financially sound manner ensures that we can maintain our responsibility in supporting the 4,000 jobs that depend on our airport and allows us to create more job opportunities.

Our approach to maintaining financial sustainability is by working to achieve further growth in passenger numbers, especially in the shoulder months, in line with our Airport's and the Government's joint strategy of promoting Malta as a year-round destination. We will also continue to develop our non-aviation segment as another source of revenue in accordance with our landside master plan, which provides for the expansion of the airports via an investment in SkyParks 2 and 3, the construction of a business hotel and a multi-storey car park.

Our terminal has now been in operation for 25 years, during which we have learnt that success is the product of determination, foresight and calculated medium to long-term planning. It is this combination, together with an awareness of prevalent and emerging trends in the aviation industry, which has led us to reinvent ourselves to come this far.

Support from our investors has never lacked and this too was crucial to our achievements. I would like to thank all shareholders for their confidence in our Company over the years and promise that, guided by our vision, we will endeavour to build on 2016's successes to deliver a healthy return on their investments for yet another year.

Nikolaus Gretzmacher
Chairman

MESSAĠĠ TAĊ-CHAIRMAN

L-2016 kienet sena li fiha l-Ajruport Internazzjonali ta' Malta kiseb diversi suċċessi u l-projezzjonijiet tagħna jindikaw li s-sena li għandna quddiemna għandha tkun daqstant ieħor tajba.

Il-viżjoni tagħna li noffru l-aqwa esperjenza fl-ajruport fl-Ewropa kompliet tiggwidana, bit-tim tagħna jistinka sabiex jirrealizza din il-viżjoni permezz tal-għoti ta' servizz eċċellenti lill-passiġġieri li jgħaddu mit-terminal tagħna. In-numru ta' passiġġieri li lqajna kompla jikber u, fil-fatt, irreġistrajna żieda ta' 10 fil-mija fuq l-2015. Dan it-tkabbir huwa aktar sinifikanti meta mqabbel maż-żieda 'robusta' ta' 6.7 fil-mija li esperjenzaw l-ajruporti fl-UE, skont ir-rapport annwali tat-traffiku ta' Airports Council International (ACI).

Bil-ħidma ta' kulħadd, l-Ajruport Internazzjonali ta' Malta rnexxielu jikseb it-tielet post fl-istħarriġ ta' ACI dwar il-Kwalità tas-Servizz fl-Ajruporti (ASQ) fil-Kategorija tal-Aħjar Ajruport skont ir-Reġjun (l-Ewropa). Għal dawn l-aħħar snin dejjem żammejna postna mal-aqwa ħames ajruporti f'din il-kategorija, iżda il-punteġġ ta' din is-sena ta' 4.25, li jindika s-sodisfazzjon tal-passiġġieri bis-servizz, huwa l-ogħla li qatt ksibna sal-lum. Filwaqt li din hija kisba li tagħmilna kburin, aħna ser naħdmu sabiex intellgħu dan il-punteġġ billi nkomplu niffukaw fuq l-għoti ta' servizz eċċellenti, l-investiment u s-sostenibbiltà, f'kooperazzjoni mill-qrib mal-imsieħba kollha tagħna.

Il-pilastri kollha tas-sostenibbiltà jingħataw importanza kbira mill-Kumpanija tagħna, speċjalment minħabba li l-operat tal-Ajruport Internazzjonali ta' Malta jħalli impatti soċjali, ambjentali u ekonomiċi fuq il-komunitajiet fil-viċinat tiegħu, u anki fuq Malta b'mod ġenerali. Fil-ġejjieni, ser inkomplu nadottaw aktar prattiki sostenibbli li jgħinuna nħallu impatt pożittiv fuq il-ġżejjer tagħna fuq medda ta' żmien medju u twil. Barra minn hekk, operat finanzjarju sod jiżgura li aħna nkunu nistgħu nkomplu nsostnu l-4,000 impjieg li jiddependu mill-Ajruport tagħna u jgħinna noħolqu aktar opportunitajiet ta' impjieg.

L-approċċ tagħna lejn is-sostenibbiltà finanzjarja huwa permezz ta' ħidma biex nirreġistraw aktar tkabbir fin-numru tal-passiġġieri tagħna, speċjalment fix-xhur tax-xitwa, f'konformità mal-istrateġija tagħna u dik tal-Gvern li nippromwovu lil Malta bħala destinazzjoni attraenti għas-sena kollha. Aħna ser inkomplu niżviluppaw ukoll is-segment tal-Proprjetà u l-Bejgħ bħala sors ta' dħul ieħor, f'konformità mal-pjan prinċipali tagħna għal-landside, li jipprevedi l-espansjoni tal-Ajruport permezz ta' investiment fi SkyParks 2 u 3, il-bini ta' lukanda tan-negozju u parkeġġ fuq diversi livelli.

It-terminal tagħna issa ilu jopera għal 25 sena, li matulhom tgħallimna li s-suċċess huwa l-prodott ta' determinazzjoni, kapaċità li tantiċipa l-bżonnijiet tal-futur u ppjanar ikkalkolat fuq medda ta' żmien medju u twil. Dawn il-fatturi, flimkien ma' għarfien tat-tendenzi prevalenti u emerġenti fl-industrija tal-avjazzjoni, għenuna dejjem inkunu innovattivi sabiex stajna naslu sa hawnhekk.

L-appoġġ min-naħa tal-investituri tagħna kien kostanti wkoll u dan kien kruċjali għall-kisbiet tagħna. Nixtieq għalhekk nirringrazzja lill-azzjonisti tagħna tal-fiduċja tagħhom fil-Kumpanija tul is-snin u nwiegħed li, gwidati mill-viżjoni tagħna, ser nagħmlu ħilitna biex nibnu fuq is-suċċessi tal-2016 sabiex għal sena oħra nagħtu ritorn tajjeb fuq l-investimenti.

Nikolaus Gretzmacher
Chairman

CEO'S REVIEW

2016 was another record year that ended with the achievement of our Airport's five million passenger milestone. Such milestones give us the impetus to journey on and set more ambitious goals for ourselves based on our four-pillared strategy, fully aware that our accomplishments ultimately bear positive effects on Malta's economy.

In 2016, our Airport welcomed 5,080,071 passengers, translating into a growth of 10 per cent over the previous year. This growth was spread across all months, with passenger movements in the shoulder period increasing by a noteworthy 14 per cent. Growth in passenger numbers was registered on the back of an upturn in both aircraft movements and seat capacity, with seat load factor reaching an all-time high of 83.3 per cent. These developments stem from our continuous efforts, which are always aligned with the Government's tourism strategy for Malta and which are, presently, mainly targeted towards addressing seasonality.

Another propelling force in making these strides was Malta International Airport's enhanced connectivity throughout the year under review. In 2016, our Airport welcomed three new airlines, namely Volotea, Iberia Express, and Czech Airlines, which operated a summer schedule to Catania, Madrid and Prague, respectively. In addition to this, a number of existing airlines introduced no less than a total of 11 new scheduled routes, providing the local market with an added choice of destinations and allowing tourists from new markets to discover Malta.

While we have already announced four new routes for summer 2017, looking ahead we will endeavour to achieve further growth in the winter months so as to maintain sustainable operations. A special focus will be retained on exploiting the potential presented by the Eastern European and Scandinavian markets and attracting traffic from the Iberian Peninsula. While stepped-up efforts to redevelop the Spanish market led traffic from Spain to grow by 26.7 per cent in 2016, Portugal remains unserved by our existing network and presents an opportunity that still needs to be seized.

One of the pillars of our strategy is to offer our visitors a valuable and unique customer experience. To be in a position to offer this experience, and in line with our commitment to continually invest in a well-designed and efficient Airport, we ploughed significant investment in our airfield and terminal last year, to ensure that the needs and expectations of travellers passing through Malta International Airport are met at every point of their journey.

The opening of two new restaurants - Relish within the Departures Area and Beer Kitchen at SkyParks Business Centre – during the year under review, underscores our commitment to turn Malta International Airport into much more than a passageway to the rest of the world by seeking to develop our non-aviation segment further. Diversification of our business model is, in fact, another pillar on which our strategy rests and is crucial to our achievement of sustainable growth.

We are also aware that our people and their talents are a make or break factor to our strategy and in the year under review, we continued to drive awareness for our core values - service excellence, integrity, sustainability and teamwork. These statements represent the beacons that guide our daily routines at work.

We believe that these values played no small part in helping us secure a prestigious 4-star rating, of which we are immensely proud, awarded by the leading air transport industry audit organisation, Skytrax. Another feather in our cap was our third place in ACI's Airport Service Quality (ASQ) survey. While these awards are an indication that we are on the right path to realising our vision of being the best airport in Europe, they also expose us to the best practices of other airports worldwide and help us identify new avenues for us to enhance the visitor experience.

Our terminal has been serving Malta for the past 25 years, during which it has undergone a number of improvements to match the ever-changing needs of travellers and the aviation industry. However, the ongoing terminal reconfiguration project - works on which were started towards the end of 2016 and are now progressing at a good pace - will possibly bring the most notable changes of the last decade. These improvements are aimed at ensuring that our infrastructure is fitting for the island's only air terminal and that it supports further traffic growth in the coming years.

With 2017 marking the 25th year from the inauguration of our terminal, one can say that over the years much has changed at Malta International Airport, but hard work has remained a constant in the formula for the many successes achieved along the way. Therefore, I would like to thank our team for its continuous efforts and our partners - including customs and police officials, the Armed Forces, airlines and their ground handlers - for their invaluable contribution throughout the years.

Alan Borg
Chief Executive Officer

RENDIKONT TAL-KAP EŻEKUTTIV

L-2016 kienet sena rekord oħra, li għalaqnieha bil-wasla tal-5 miljun passiġġier tagħna għas-sena. Kisbiet bħal dawn iħeġġuna nkomplu bil-vjaġġ tagħna u jgħinuna wkoll nistabbilixxu miri aktar ambizzjużi għalina nfusna bbażati fuq l-istrateġija b'erba' pilastri tagħna, konxji mill-fatt li s-suċċessi tagħna jħallu impatt pożittiv fuq l-ekonomija ta' Malta.

Fl-2016, l-Ajruport tagħna laqa' 5,080,071 passiġġier, li jsarrfu f'żieda ta' 10 fil-mija fuq is-sena preċedenti. Dan it-tkabbir kien mifrux matul ix-xhur kollha tas-sena, bil-passiġġieri fix-xhur tax-xitwa jiżdiedu b'persentaġġ notevoli ta' 14 fil-mija. Din iż-żieda fil-passiġġieri ġiet irreġistrata b'mod parallel ma' żieda kemm fil-movimenti tal-ajruplani u kif ukoll fin-numru ta' postijiet, bis-*seat load factor* jilħaq l-ogħla persentaġġ qatt irreġistrat tiegħu ta' 83.3 fil-mija. Dawn l-iżviluppi jirriżultaw minn ħidma kontinwa, li dejjem tkun allinjata mal-istrateġija tat-turiżmu tal-Gvern għal Malta u li, bħalissa, hija mmirata lejn l-indirizzar tal-istaġjonalità.

Fattur influwenti ieħor li għinna nagħmlu dawn il-passi importanti kienet il-konnettività mtejba tal-Ajruport Internazzjonali ta' Malta fis-sena inkwistjoni. Fl-2016, l-Ajruport tagħna laqa' tliet linji tal-ajru ġodda, jiġifieri Volotea, Iberia Express, u Czech Airlines, li operaw titjiriet tul is-sajf lejn Katanja, Madrid u Praga, rispettivament. Barra minn hekk, għadd ta' linji tal-ajru eżistenti introduċew xejn anqas minn total ta' 11-il rotta ġdida skedati, li pprovdew lis-suq lokali b'għażla usa' ta' destinazzjonijiet u li ppermettew lil turisti minn swieq ġodda jiskopru l-gżejjer Maltin.

Filwaqt li għas-sajf tal-2017 diġà ħabbarna erba' rotot ġodda, f'din is-sena li ġejja ser inkomplu naħdmu biex nirreġistraw aktar tkabbir fix-xhur tax-xitwa sabiex inżommu operat sostenibbli. Ser inkunu qed niffukaw b'mod speċjali fuq l-isfruttament tal-potenzjal ippreżentat mis-swieq tal-Ewropa tal-Lvant u tal-Iskandinavja u naħdmu biex nattiraw it-traffiku mill-Peniżola Iberika. Filwaqt li sforzi mtejbin sabiex niżviluppaw is-suq Spanjol mill-ġdid wasslu għal żieda ta' 26.7 fil-mija fil-passiġġieri minn Spanja, il-Portugall għadu mhuwiex parti min-netwerk tagħna u, għaldaqstant, jippreżenta opportunità li għadha trid tiġi sfruttata.

Aħna nemmnu li dawn il-valuri kellhom rwol importanti biex stajna ningħataw erba' stilel, kisba li tagħmilna tassew kburin, mingħand l-organizzazzjoni prinċipali ta' awditu tal-industrija tat-trasport bl-ajru, Skytrax. Kisba importanti oħra kienet it-tielet post fl-istħarriġ dwar il-Kwalità tas-Servizz fl-Ajruporti minn ACI. Filwaqt li dawn ir-rikonoxximenti huma indikazzjoni li qbadna t-triq it-tajba biex nilħqu l-viżjoni tagħna li nkunu l-aqwa ajruport fl-Ewropa, dawn jesponuna wkoll għall-aħjar prattiki ta' ajruporti oħra madwar id-dinja u jgħinuna nidentifikaw modi ġodda ta' kif nistgħu ntejbu l-esperjenza tal-viżitaturi tagħna.

Wieħed mill-pilastri tal-istrateġija tagħna huwa li noffru lill-viżitaturi tagħna esperjenza unika u ta' valur. Sabiex inkunu nistgħu nagħmlu dan, u f'konformità mal-impenn tagħna li ninvestu f'Ajruport imqassam tajjeb u li jopera b'mod effiċjenti, is-sena li għaddiet investejna b'mod sinifikanti fil-mitjar u t-terminal tagħna, bil-għan li niżguraw li l-aspettattivi tal-passiġġieri li jgħaddu mill-Ajruport Internazzjonali ta' Malta jiġu ssodisfati f'kull punt tal-vjaġġ tagħhom.

Il-ftuħ ta' żewġ ristoranti ġodda - Relish fiż-Żona tat-Tluq u Beer Kitchen fi SkyParks Business Centre – fis-sena inkwistjoni, juri biċ-ċar l-impenn tagħna li niżviluppaw l-Ajruport Internazzjonali ta' Malta lil hinn minn sempliċement infrastruttura li tgħaqqadna mal-bqija tad-dinja b'investiment kontinwu fis-segment tal-Proprjetà u l-Bejgħ tagħna. Id-diversifikazzjoni tal-mudell tan-negozju tagħna huwa, fil-fatt, pilastru ieħor li fuqu hi msejsa l-istrateġija tagħna u huwa kruċjali sabiex nilħqu tkabbir sostenibbli.

Konxji wkoll mill-fatt li n-nies tagħna u t-talenti tagħhom huma importanti għas-suċċess tal-istrateġija tal-Kumpanija, fl-2016 aħna komplejna nqajmu għarfien dwar il-valuri prinċipali tagħna – l-għoti ta' servizz eċċellenti, l-integrità, is-sostenibbiltà u t-*teamwork*. Dawn il-valuri joffru gwida għalina minn jum għal jum fuq il-post tax-xogħol.

It-terminal tagħna issa ilu jaqdi lill-gżejjer Maltin għal dawn l-aħħar 25 sena, snin li matulhom sarlu titjib kontinwu sabiex ikunu jistgħu jiġu ssodisfati l-bżonnijiet li dejjem qed jinbidlu tal-passiġġieri u tal-industrija tal-avjazzjoni. Madankollu, il-proġett tar-rikonfigurazzjoni tat-terminal li għaddej bħalissa – li nbeda lejn l-aħħar tal-2016 u li issa qabad pass tajjeb – possibbilment ser iġib l-aktar bidliet notevoli ta' dawn l-aħħar għaxar snin. Din ir-rikonfigurazzjoni għandha l-għan li tiżgura li l-infrastruttura tal-Ajruport Internazzjonali ta' Malta tkun xierqa għall-uniku terminal tal-ajru tal-gżejjer tagħna u anki tippermetti li nilqgħu volumi akbar ta' traffiku fis-snin li ġejjin.

L-2017 timmarka l-25 sena minn meta ġie inawgurat it-terminal tagħna. Wieħed jista' jgħid li tul dawn is-snin inbidlu ħafna affarijiet fl-Ajruport Internazzjonali ta' Malta, iżda ħidma sfiqa baqgħet fattur kostanti fis-suċċessi miksubin sena wara oħra. Għaldaqstant, nixtieq nirringrazzja l-imsieħba tagħna tal-isforzi kontinwi tagħhom u lis-sħab tagħna – inklużi l-uffiċjali tad-Dwana u tal-Pulizija, il-Forzi Armati, il-linji tal-ajru u l-*ground handlers* tagħhom – tal-kontribut kbir tagħhom tul il-vjaġġ tagħna.

Alan Borg
Kap Eżekuttiv

CORPORATE GOVERNANCE

Malta International Airport p.l.c.'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 requires that the Chief Executive Officer is an ex ufficio director, and allows 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 operate 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
CEO

Mr Karl Dandler
CFO

Ms Rita Heiss
Non-Executive Director

Dr Cory Greenland
Non-Executive Director

Dr Wolfgang Koeberl
Non-Executive Director
Appointed 01/05/2016

Dr Youssef Sabeh
Ceased to be a Non-Executive Director on 30/03/2016

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, Dr Wolfgang Koeberl, Ms Rita Heiss,
Dr Louis de Gabriele (Company Secretary), Dr Cory Greenland, Mr Florian Nowotny (appointed on 18/01/2017)

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 as at the 31st December 2016 were:

Mr Alan Borg
Chief Executive Officer

Mr Karl Dandler
Chief Financial Officer

Ing. Martin Dalmas
Airport Operations

Mr George Mallia
Retail and Property

Mr Ian Maggi
Innovation, ICT and Procurement

Mr Patrick Murgo
Security

Ms Tina Lombardi
HR and Strategy

Mr Alan Borg, Mr Karl Dandler, Ing. Martin Dalmas, Mr George Mallia, Mr Ian Maggi, Mr Patrick Murgo, Ms Tina Lombardi

OUR STRATEGY

OUR COMPANY STRATEGY

The mission, vision, and values form the backbone of our strategy, which has been summarised to ensure our leadership and their teams clearly understand the Company's goals and priorities. During the year under review, the Company continued to communicate these statements to all of its employees, encouraging them to let their everyday decisions and actions at work be a reflection of what the organisation strongly believes in.

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

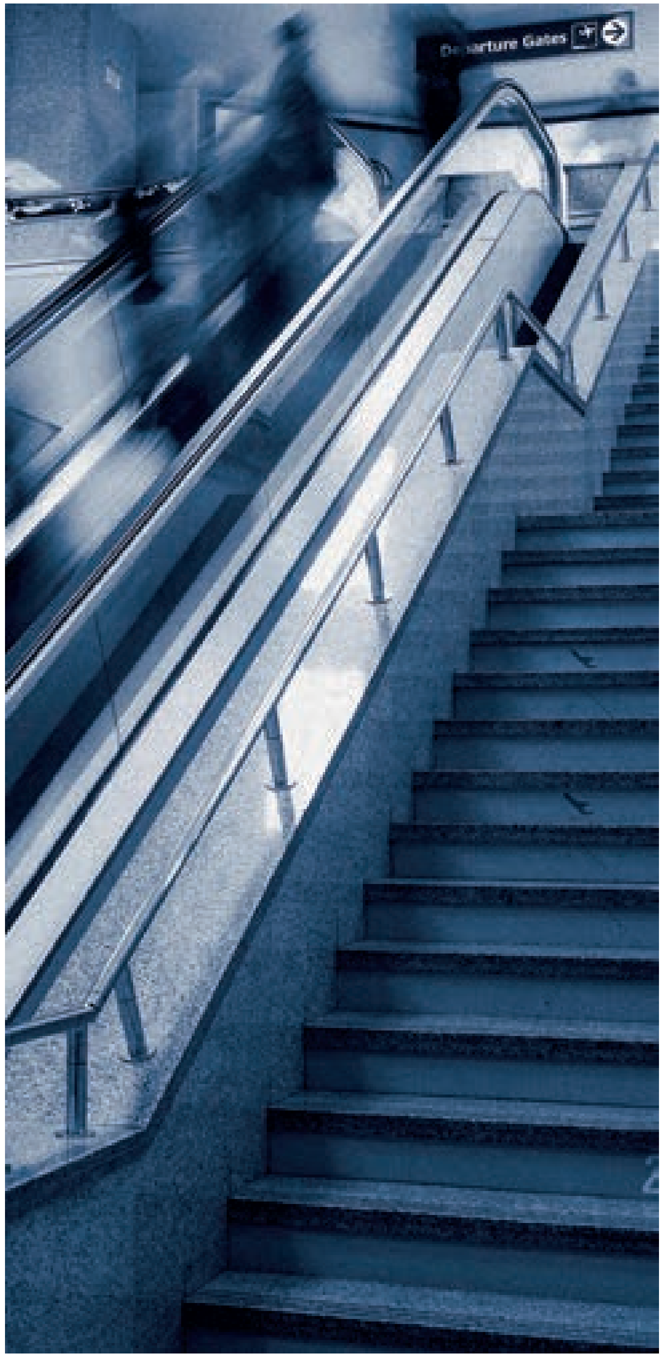
We cherish sustainable strategies that balance the interests of the community on which we have an impact, the environment and our economic performance over the long term.

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.

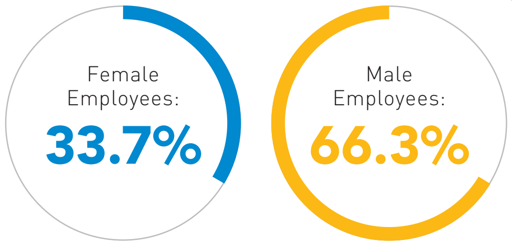
Therefore, our twin strategy of constantly enhancing the visitor experience and diversifying our business model is how we as a company can achieve sustainable growth and at the same time deliver attractive shareholder returns.

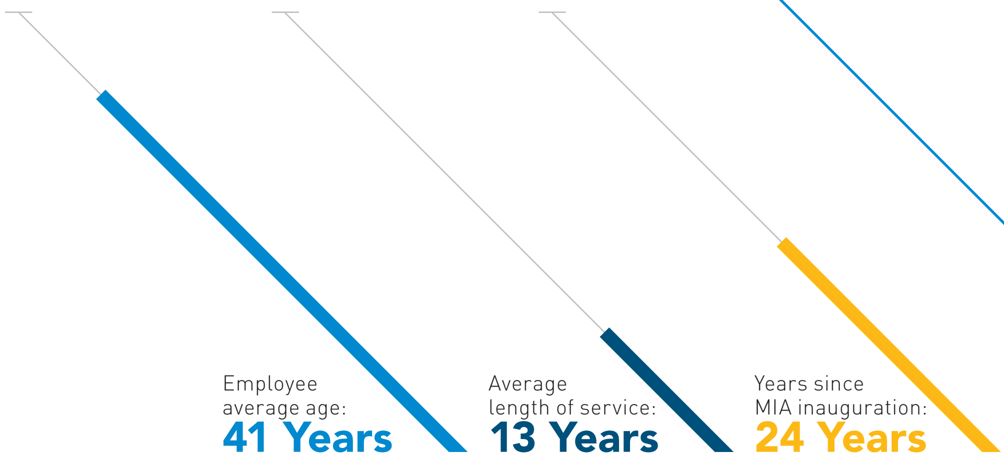
Finally, we consider the investment in our people and their talents as fundamental to reaching our strategic objectives. The latter, together with our pursuit of constant innovation, from our internal modus operandi to our business model and strategy, is the ultimate way in which we can compete and remain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

OUR EMPLOYEES

OUR EMPLOYEES

The Company believes that every success it celebrated over the past years was essentially a celebration of its team's efforts and unwavering commitment. This team was made up of an average of 304 employees in 2016. To help employees look and feel their best as they go about their day at work, in the last quarter of the year, the Company rolled out a smart, new uniform, designed for comfort and flexibility.





TRAINING & DEVELOPMENT

The Company recognises the importance of developing its people by giving them access to training that enables them to enhance existing skills and acquire new ones. The Company knows that its potential to grow and aim higher is ultimately dependent on how far it allows its own employees to grow.

In 2016, employees across all levels and from all departments benefitted from over 4,700 hours of training, delivered in the form of seminars, conferences and courses. The training given can be broadly categorised as illustrated in the infographic:

POLICIES

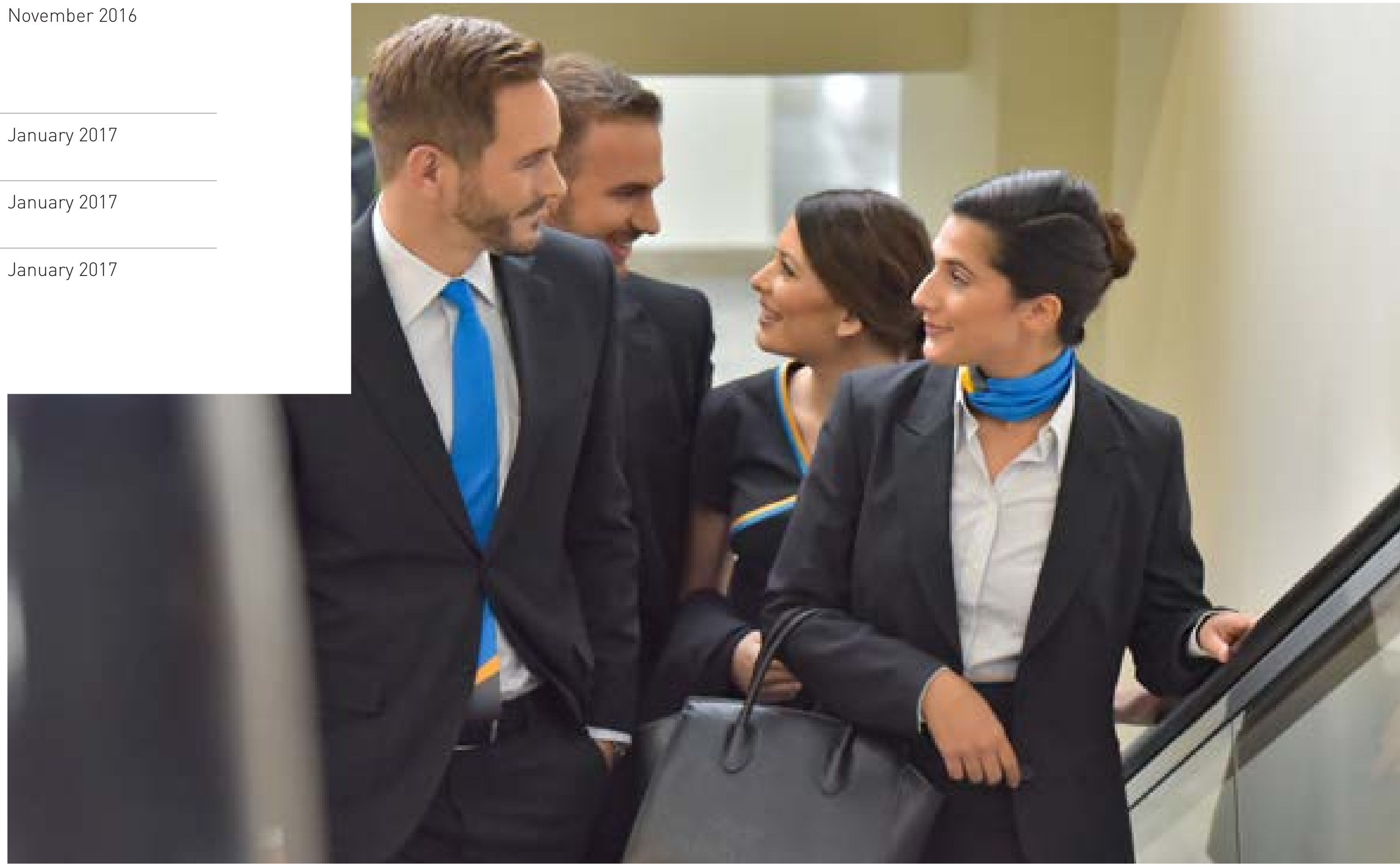
Additionally, so as to safeguard the interests of MIA and its employees at all times whilst championing best practices, the Company drafted and revised five policies, which were all approved by the Audit Committee in the year under review.

Policy	Description	Implementation
Media Policy 2.0	To provide practical advice to employees regarding how to deal with the media to ensure the Company's reputation is protected at all times	November 2016
Occupational Health & Safety	To establish an Occupational Health and Safety Management System (OHSMS) based on compliance to legal and statutory obligations through safety risk management	November 2016
Training & Development	To provide a framework for identifying the Company's training needs and addressing them	January 2017
Equality & Diversity	To promote equal opportunities for all employees and job applicants	January 2017
Anti-bullying & Harassment Policy	To ensure all employees are treated and treat others with dignity and respect, without ever resorting to harassment and bullying	January 2017

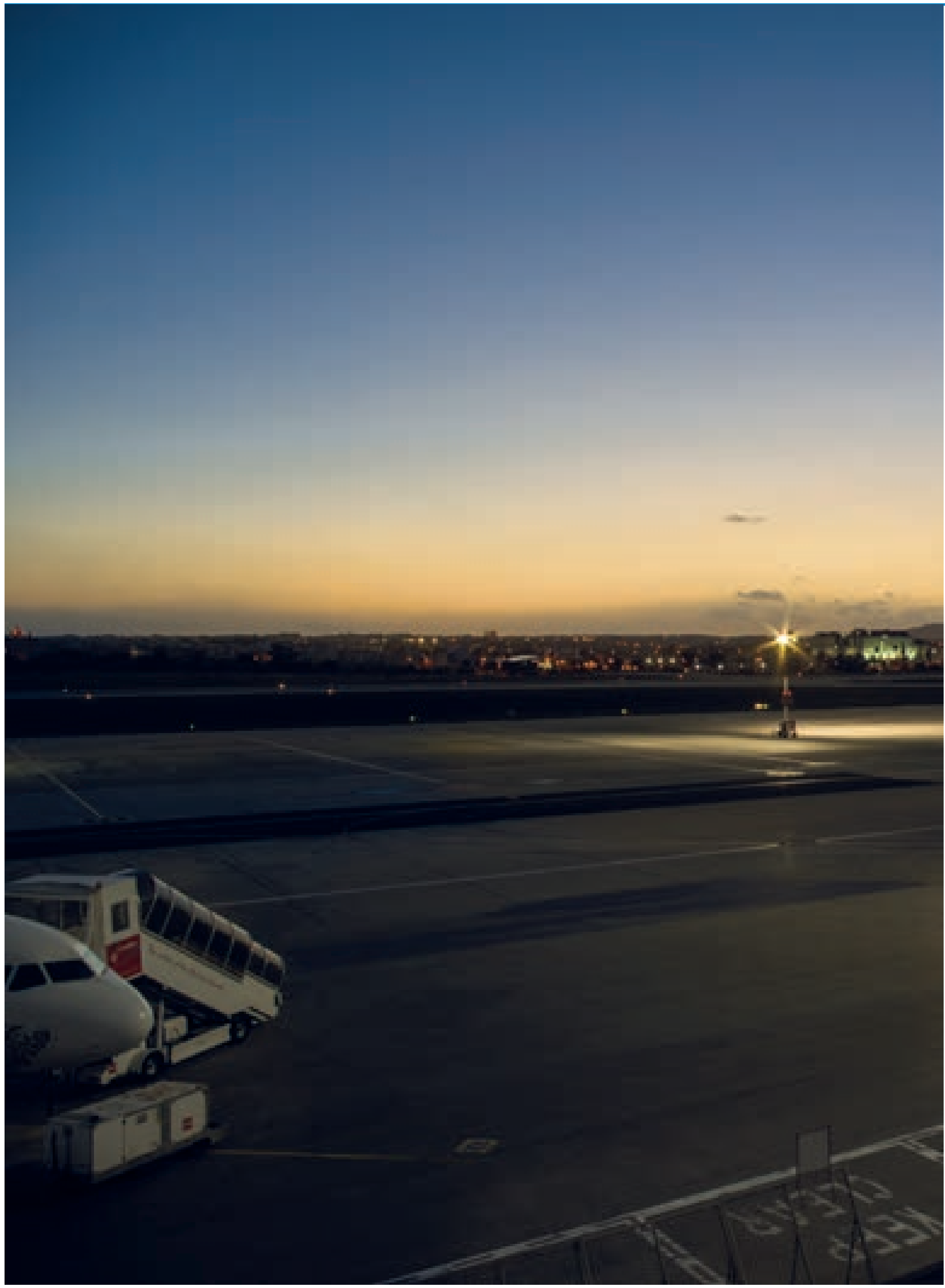
EMPLOYEE SURVEY

The annual employee survey is one of the tools the Company uses to keep a pulse on employee sentiment. In 2016, the response rate to this survey grew by a noteworthy 11% over the previous year, with total respondents reaching 79% of the workforce. Areas such as team work, engagement, communication with employees, support of professional development and job satisfaction all registered a marked improvement.

In fact, the survey revealed that a very reassuring **91% of respondents feel that their job challenges them and rewards them with a sense of satisfaction.** This survey also enabled the Company to take stock of what can be improved further through the implementation of new policies and the launch of new employee-centric initiatives to better serve its most important asset.



AIRPORT OPERATIONS



AIRPORT OPERATIONS

Customer Services

As Malta International Airport grows and hosts more passengers, so does its responsibility of providing the best possible experience, every time. In order to fulfil this commitment, and constantly seek to delight its guests, Malta International Airport devotes significant investment to the development of its Customer Services Department, with the team within it benefitting from frequent training.

The efforts of this team of frontliners are directed at enhancing the customer value chain within the Terminal, and frequently beyond it too, through the provision of a host of services ranging from addressing queries to resolving complaints efficiently to delivering premium La Valette Club services.

The dedication and commitment of this team was instrumental in the successful management of the arrival and departure of the Airport's five million passengers in 2016. Moreover, the team's exceptional performance was noted by Skytrax, the leading air transport industry audit organisation, which awarded MIA a prestigious four-star rating after conducting a thorough evaluation of its frontline products and services.

This year we also ranked third, with our highest score to date, in Airports Council International Airport Service Quality (ASQ) awards in the Best Airport by Region (Europe) category. While we acknowledge this achievement with pride, we commit ourselves to continue working towards reaching the top spot by striving to continually exceed our guests' expectations.

Aerodrome Operations

2016 was marked by a record number of aircraft movements at Malta International Airport. While these movements peaked during the summer period, necessitating more careful planning and closer coordination with all aviation stakeholders and Government entities to ensure smooth operations, the shoulder months also experienced a significant spike in movements.

To be better positioned to offer the excellent airport experience it always strives to provide, even as passenger numbers flourish, Malta International Airport continued to invest in cutting-edge technology in both its terminal and airfield facilities.

Airfield Investments

A significant investment was channelled into the upgrade of the airfield infrastructure, with pavement rehabilitation works on the East and West wings of Apron 9 reaching completion in the year under review. Additionally, both Instrument Landing Systems, which provide pilots with guidance upon approach to land, on Runways 31 and 13 were replaced.

Meteorological Services

The Airport's meteorological services, which are used widely by aircrafts making use of Malta's Flight Information Region, were boosted through the upgrade of weather sensors. This upgrade included the installation of the first-ever lightning detector and complementary software for the advanced detection of lightning storms.

Emergency Operations

In line with the Airport's commitment to full preparedness in an emergency scenario, the Airport Operations Department organised a number of intensive training sessions for the Company's employees and partner emergency stakeholders. This training focused heavily on crisis management, with a number of sessions being held at the recently renovated Emergency Operations Centre. For a particular, day-long session, MIA roped in trainers from Kenyon International Emergency services, a world leader in aviation crisis management. Moreover, this training was complemented with targeted stakeholder deployment and communication exercises.

Rescue and fire-fighting services

The Malta International Airport Rescue and Fire-Fighting Services infrastructure and fire-fighting staff permit the Airport to assure a rescue and fire protection capability equivalent to International Civil Aviation Organisation CAT 9.

The Rescue and Fire-Fighting Services team played a crucial role in the Airport's response to two major crises, namely an aircraft accident and the landing of a hijacked aircraft on airport grounds in 2016. On both occasions, the Fire and Rescue team as the first responders to these situations, activated MIA's Aircraft Emergency Response Plans immediately and effectively, while cooperating closely with key airport personnel in order to act efficiently in bringing airport operations back to normal as swiftly as possible.

Innovation

In a strategic move, in July 2016 the Airport entered into a partnership with global air transport IT specialist SITA, with the main aim of boosting its operational excellence and establishing itself at the forefront of technology in the aviation industry.

SITA's experience in managing large-scale ICT transformation programmes around the world is now extended to Malta International Airport to support it in integrating ICT at the heart of its growth strategy over the long term to ultimately succeed in its ongoing mission of improving the airport experience for its guests.

With SITA taking over the tasks involved in the day-to-day maintenance and operation of ICT, the Company's Innovation and Technology Department is now able to dedicate its energies to issues that are strategic for innovation, such as better harnessing the potential of emerging technologies and making the best possible use of them in an airport environment.

Security

As a core function of airport operations, security services are given topmost importance to ensure that passengers, aircraft, guests and all operators and crews working at the airport are protected from acts of unlawful interference. To this extent, the Company continually invests in technology and its human resources, to always deliver service excellence.

During the year under review, investment in the Company's workforce included the launch of a training initiative aimed at helping the security team develop better interaction skills when dealing with guests. This development programme is expected to run into the coming years, with its ultimate goal being the creation of a security environment that balances a robust security product with friendly passenger processes.

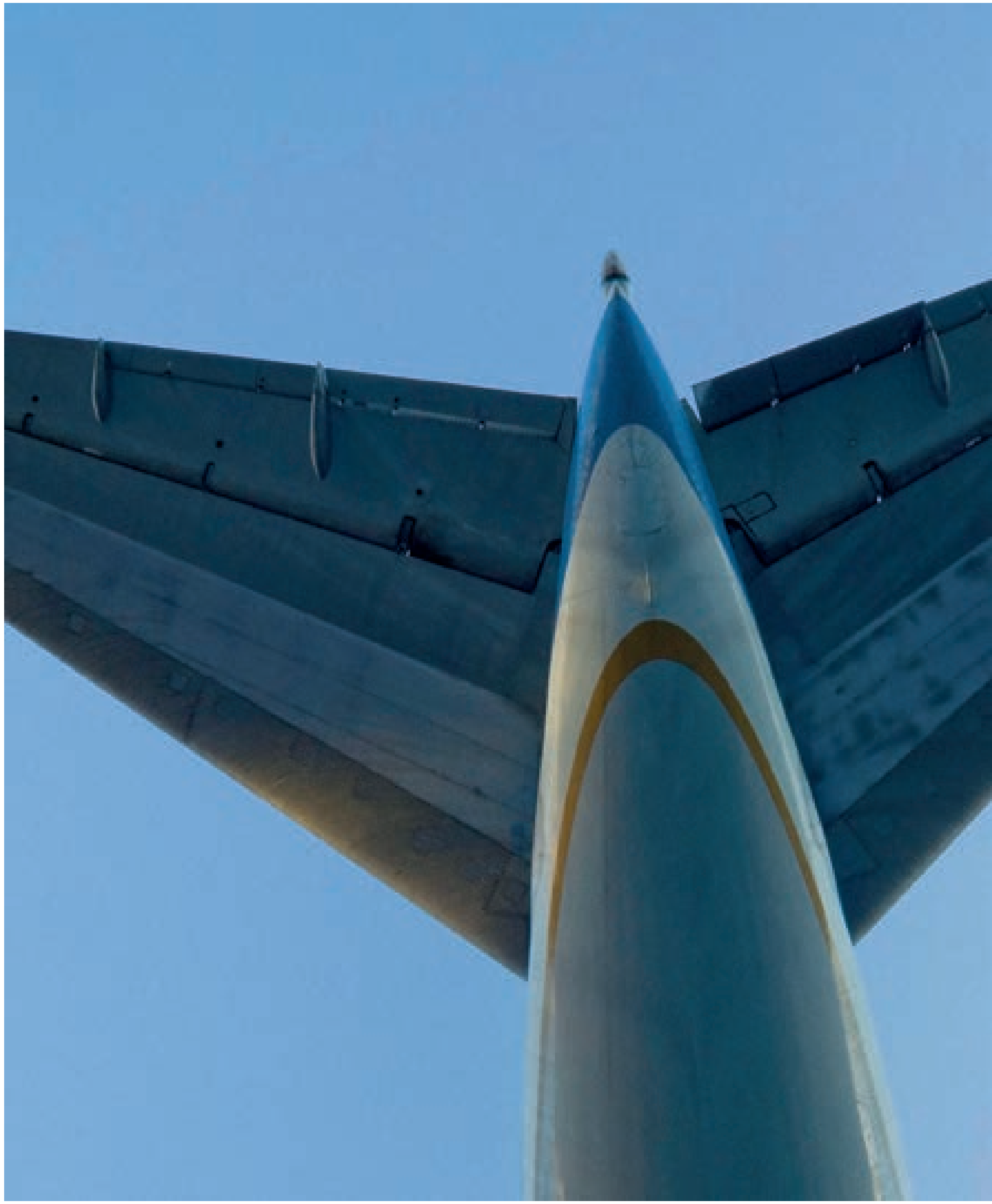
As for investment in technology, the hand luggage x-ray screening machines were replaced by newer machines that enhance the security infrastructure to better identify and mitigate any security threats.

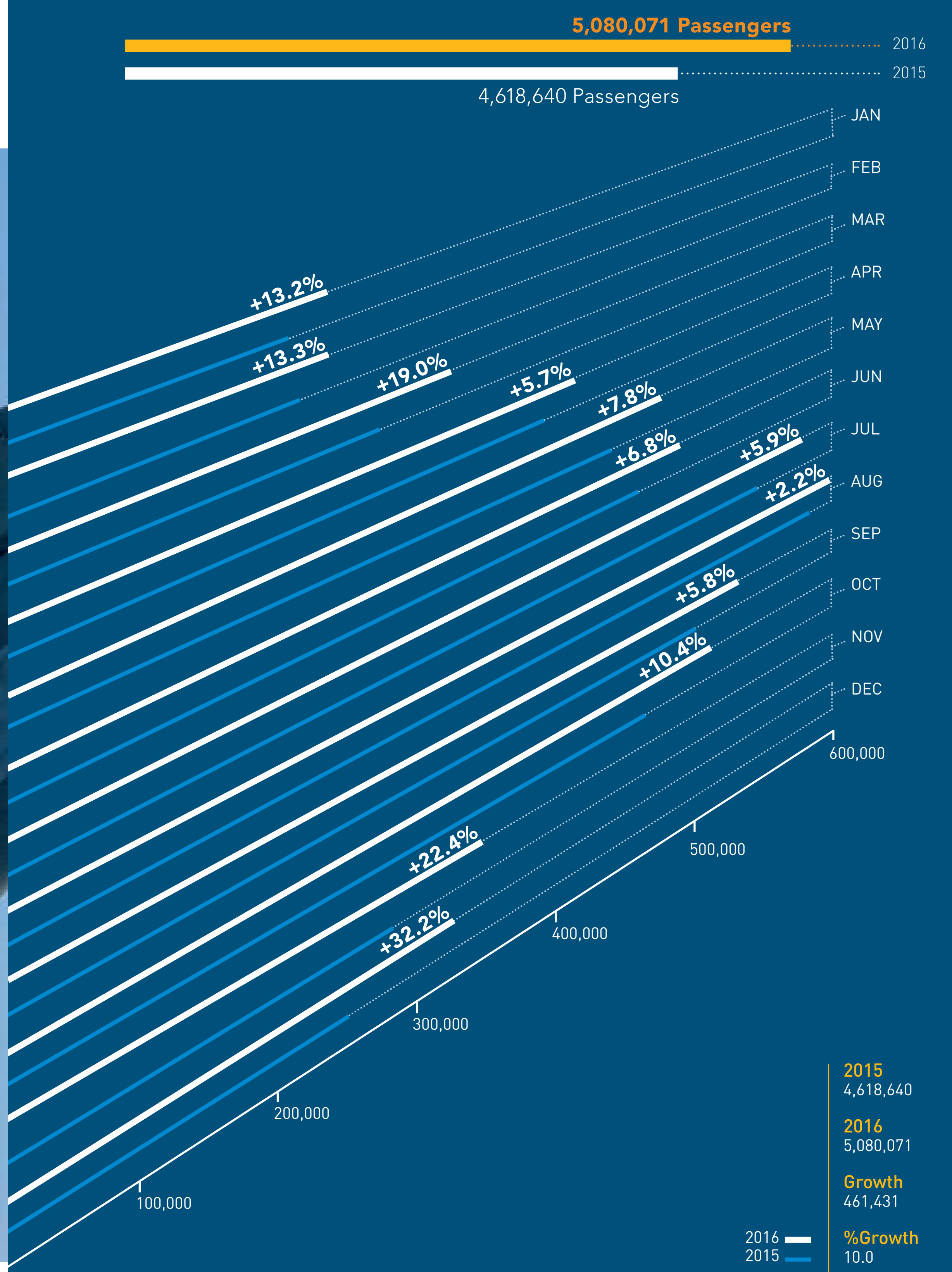
RISK MANAGEMENT

In order to effectively manage existent risks, and ensure readiness for any emerging ones, Malta International Airport has a Risk Management Framework in place, which encompasses MIA's Risk Policy and Procedures that are revised regularly so that they reflect the ever-changing environment within which the Airport operates. This robust framework enables the Company to protect both the business and the interests of its stakeholders. The Company's Risk Management Committee serves as a primary champion of risk management at a strategic and operational level.

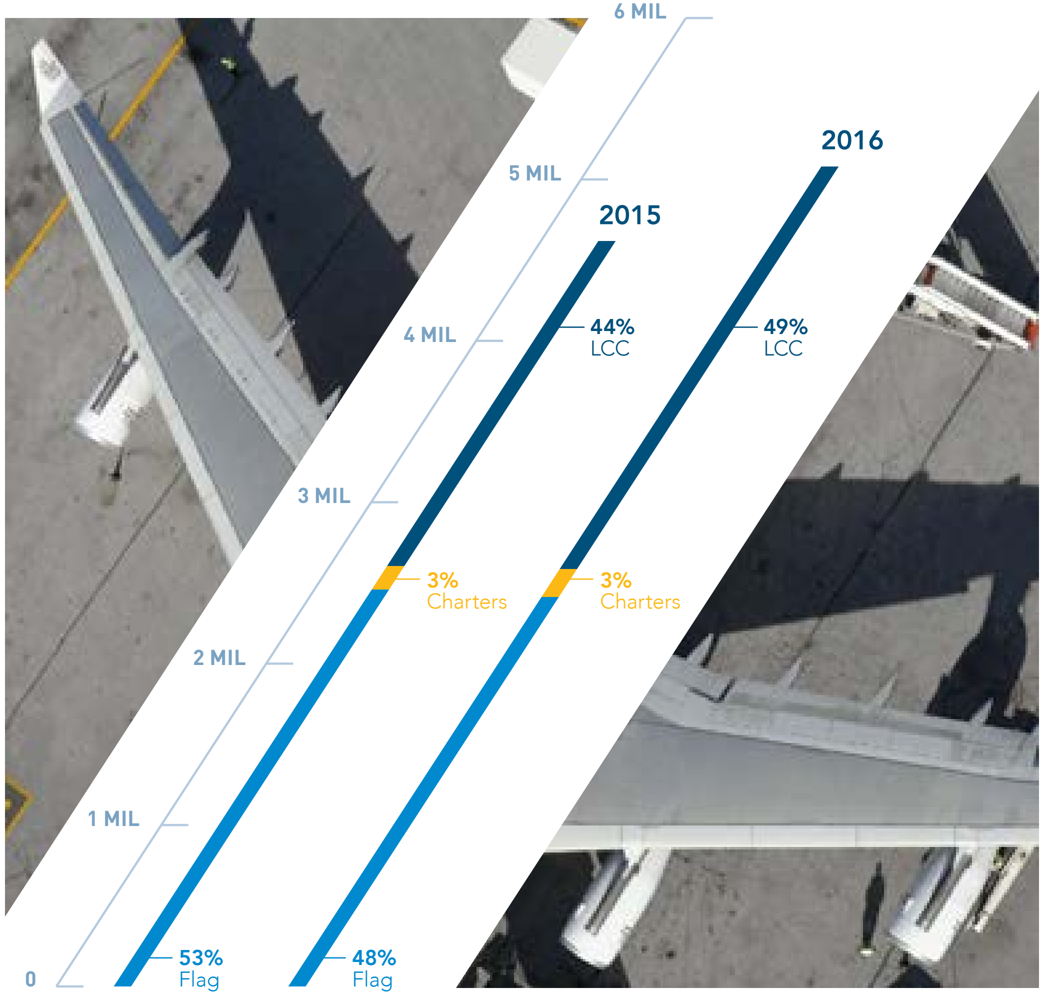
TRAFFIC REPORT

TOTAL PASSENGERS





BUSINESS MIX



Passenger arrivals from top five markets

RANK	MARKET	2016	2015	GROWTH	% GROWTH
1ST	United Kingdom	1,354,567	1,285,404	69,163	5.4%
2ND	Italy	1,067,815	926,498	141,317	15.3%
3RD	Germany	666,579	617,170	49,409	8.0%
4TH	France	294,024	278,629	15,395	5.5%
5TH	Spain	175,999	138,889	37,110	26.7%

Top 5 Airlines

RANK	AIRLINE	2016	2015	GROWTH	% GROWTH
1ST	Ryanair	1,731,881	1,225,663	506,218	41.3%
2ND	Air Malta	1,600,408	1,729,625	-129,217	-7.5%
3RD	Easyjet	296,113	331,484	-35,371	-10.7%
4TH	Lufthansa	230,965	215,435	15,530	7.2%
5TH	Wizz Air	177,420	151,218	26,202	17.3%

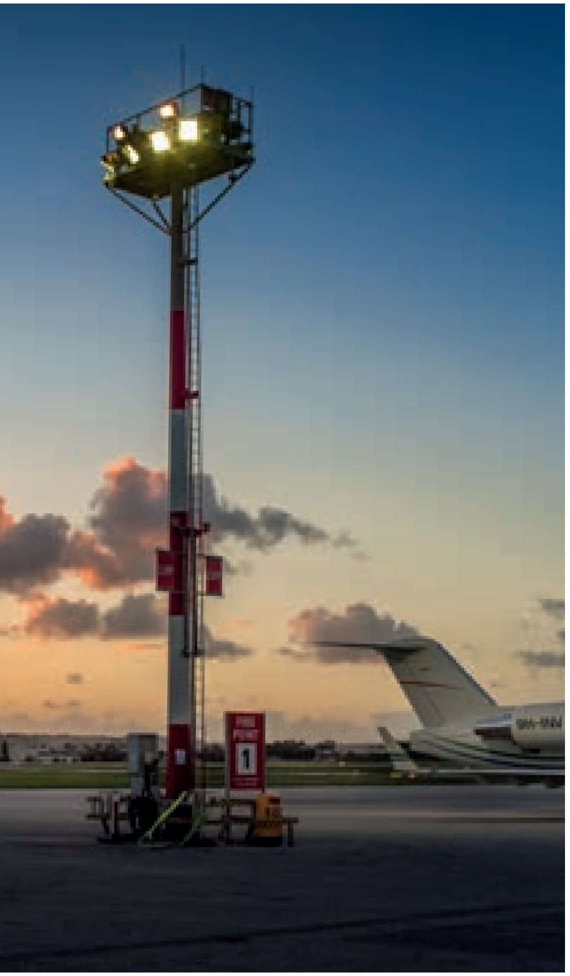
Top 5 Flag Carriers

RANK	FLAG CARRIER	2016	2015	GROWTH	% GROWTH
1ST	Air Malta	1,600,408	1,729,625	-129,217	-7.5%
2ND	Lufthansa	230,965	215,435	15,530	7.2%
3RD	Turkish Airlines	132,521	118,344	14,177	12.0%
4TH	Alitalia	111,504	89,265	22,239	24.9%
5TH	Emirates	88,329	91,487	-3,158	-3.5%

Top 5 Low Cost Carriers

RANK	LOW COST CARRIER	2016	2015	GROWTH	% GROWTH
1ST	Ryanair	1,731,881	1,225,663	506,218	41.3%
2ND	Easyjet	296,113	331,484	-35,371	-10.7%
3RD	Wizz Air	177,420	151,218	26,202	17.3%
4TH	Vueling	73,131	79,737	-6,606	-8.3%
5TH	Transavia	71,239	51,660	19,579	37.9%

TRAFFIC REPORT



Traffic Development

2016 was a record-breaking year in terms of traffic, with Malta International Airport reaching a new milestone in its aviation history. An unprecedented total of 5,080,071 passenger movements translated into a growth of 10% over the previous year.

This growth was spread across all months, with November and December delivering the highest spikes in passenger numbers and indicating that the strategy to ensure that Malta attracts tourists even in the shoulder months is bearing the desired results.

This increase in passenger numbers was bolstered by Malta International Airport's enhanced connectivity, which stemmed from the introduction of 11 new scheduled routes, increased seat capacity, the extension of a number of flight schedules into the shoulder and winter months, and the start of operations of three new airlines. Volotea, Iberia Express and Czech Airlines brought the Airport's commercial airline network up to 37, which enabled over 5 million passengers to travel to and from 92 destinations in 35 countries.

The overall seat load factor for the year under review improved by 1.8 percentage points to reach a new all-time record of 83.3%, signalling that airlines were more efficient in filling seats deployed to Malta International Airport.

Competitiveness

Malta International Airport has kept its charges for airlines operating to and from the airport unchanged since 2006. Moreover, the Airport's incentive programme, which is available on Malta International Airport's website, was revised in 2012 to include new incentives that are geared towards enhancing Malta's connectivity all year round. Initiatives such as free landing in winter, reductions on parking, and rebates on night surcharge among others, have been instrumental in driving traffic to Malta International Airport, particularly during the shoulder months.

Route Development Strategy

With being an island's only air terminal comes the responsibility of ensuring that Malta is connected to the rest of the world through an extensive route network. The efforts of the Traffic Development team at Malta International Airport to further boost Malta's connectivity by securing a schedule that offers travellers convenience and choice, are always made in tandem with the ongoing efforts of the Government and the Malta Tourism Authority to promote Malta as a destination.

During the year under review, the Airport was represented in four international conferences, hosting over 60 meetings with more than 20 airlines. The fruits of these efforts will be reaped in 2017, when a number of airlines will be extending their schedule into winter for the first time, two new scheduled airlines will start operations and five new scheduled routes will be inaugurated.

Another notable development to look forward to in 2017, is the launch of a new cruise and fly service offered by P&O, which will be using Malta as a home port.

Looking ahead, the Company will persist in its endeavours to continue growing sustainably during the winter months, whilst improving connectivity to Scandinavia and Eastern Europe. Following the promising results achieved by the Spanish market in 2016, the Company will also channel further efforts into developing opportunities from the Iberian Peninsula.

NEW AIRLINES 2016

Czech Airlines	Prague	18th June
Iberia Expres	Madrid	16th June
Volotea	Catania	14th March

NEW ROUTES 2016

Air Malta	Palermo	4th July
Ryanair	Poznan	18th March
	Baden-Baden	19th March
	Cologne	19th March
	Dusseldorf Weeze	2nd April
	Berlin Schonefeld	3rd April
	Vilnius	30th October
	Nuremberg	1st November
	Valencia	2nd November
	Toulouse	3rd November

NEW AIRLINES 2017

Condor	Hamburg	26th April
	Frankfurt	26th April
Eurowings	Vienna	9th April

NEW ROUTES 2017

Ryanair	Belfast	Winter 2017
Wizz Air	Katowice	10th March
	Cluj-Napoca	26th March
	Skopje	14th July
Volotea	Bordeaux	13th April

CAPITAL EXPENDITURE

TOTAL
€7,200,000

AIRFIELD
4,000,000

- Rehabilitation of Apron 9
- Instrument Landing System
- New Lighting Systems

TERMINAL
2,000,000

- Replacement of lifts
- New Washrooms
- PV Panels

IT
300,000

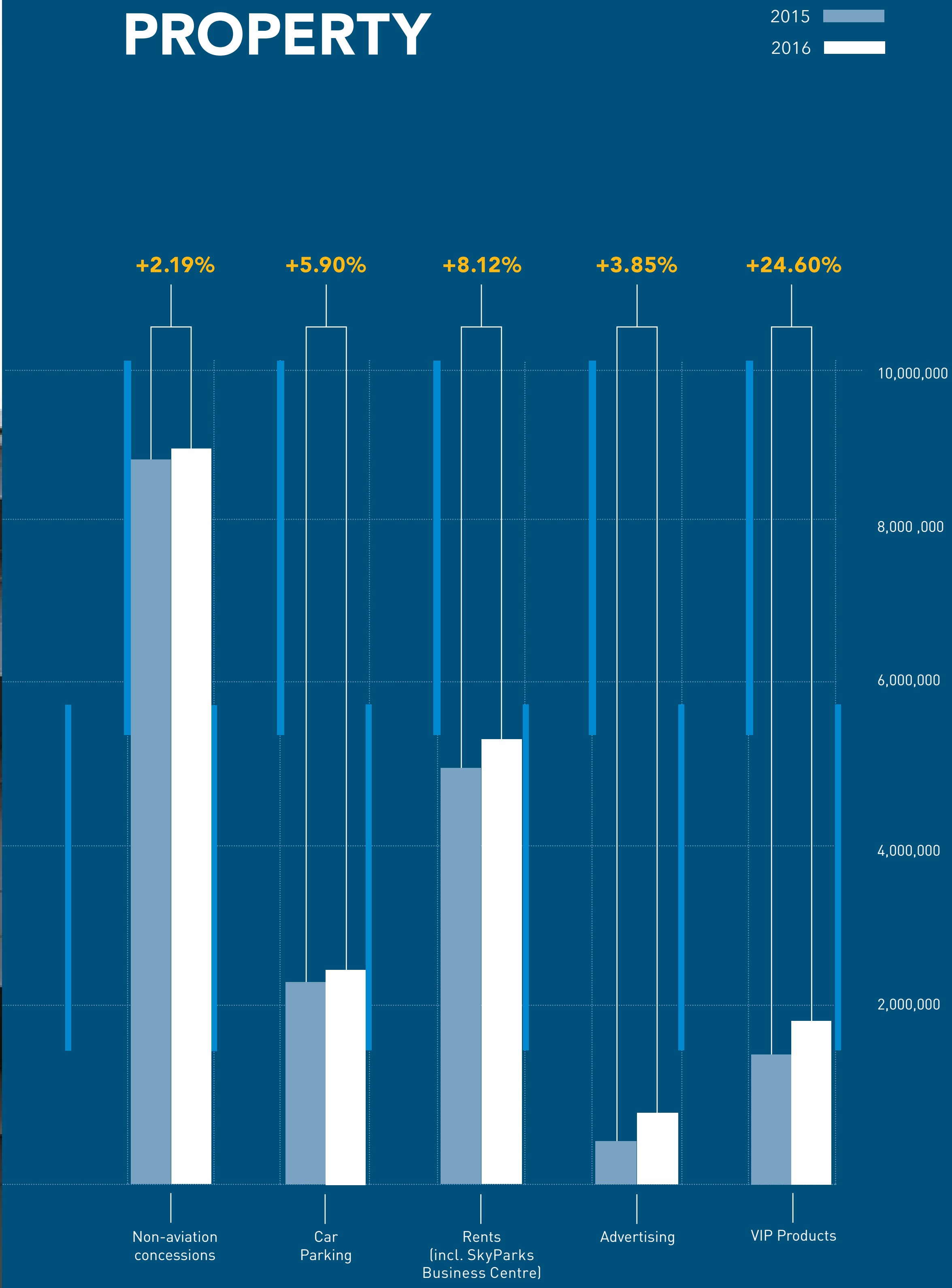
- Network Upgrades
- Wifi Additions
- New Data Centre

OPERATIONS & SECURITY
900,000

- New X-Ray Machines
- Terminal Protection Furniture
- Meteorological tools

RETAIL & PROPERTY REPORT

RETAIL & PROPERTY



RETAIL & PROPERTY REPORT

Over the past few years, the Company has focused strongly on developing Malta International Airport into much more than just a terminal. To succeed in turning Malta International Airport into a destination sought for convenience, shopping, dining and entertainment, the Company invests heavily in its retail and property segment to ensure that it continually enhances its offering.

During the year under review, one of the most notable developments in the Retail & Property segment was the opening of Relish, a new eatery replacing Jet Express in the Departures Area, airside. Relish's modern surroundings bring a fresh new look to this area for travelling guests to enjoy whilst also bringing waiter service and a breakfast menu to the Airport for the first time. It also offers options for a quick bite or outdoor dining, with food that focuses on providing a balance of freshly cooked meals and pre-packed snacks that can be taken on board a flight.

The results achieved in 2016 indicate that the various revenue drivers of this segment are thriving, with the Company's VIP product registering significant growth. Today, La Valette Club has over 1,700 members, with its VIP lounges welcoming some 6,000 guests every month in the year under review. The exceptional service and amenities offered in these lounges recently attracted glowing remarks from the leading air transport industry audit organisation, Skytrax, in its evaluation of the Airport's services and products.

SKYPARKS BUSINESS CENTRE

In 2016, SkyParks Business Centre celebrated the fourth anniversary from its inauguration. In these four years, the multi-purpose building, which provides both Grade A office space and a number of convenient services, became the choice of a number of businesses and top brands.

Towards the end of last year, the fourth restaurant, Beer Kitchen, opened its doors, widening dining options at SkyParks Business Centre. With a new concept, Beer Kitchen offers a wide range of beers and a gastro-pub style menu, within a casual environment.

"The Company is actively working on its landside Masterplan, which focuses on the creation of increased office and retail space and parking facilities to continue to develop the area into a business and commercial hub within Malta's southern region."

SUSTAINABILITY REPORT

The Malta Airport Foundation

Since its setting up in 2015, the Malta Airport Foundation has overseen a number of initiatives, all of which it considers to be an investment in Maltese heritage and environment, with the aim of increasing the islands' appeal to both tourists and locals. The non-profit organisation is independently run by a board of administrators. In the year under review, the Foundation welcomed Carmel Vassallo as the fifth member of the Board.

The Foundation Board in the year under review was comprised of the following members:

Frederick Mifsud Bonnici
Chairman

Frank Salt
Co-administrator

Simone Mizzi
Co-administrator

Carmel Vassallo
Co-administrator
Appointed on 04/10/2016

Kevin-James Fenech
Secretary to the Board of Administrators

In 2016 the Foundation convened four Board meetings and was instrumental in the execution of the projects and initiatives described in the next pages.

Restoration works on ta' Xutu Tower on track for 2017 opening

Restoration works undertaken by Din l-Art Ħelwa and financially supported by the Foundation as its first project, progressed at a good pace throughout 2016, with the target opening date of Ta' Xutu Tower set for spring 2017.

The Foundation's €120,000 investment in the restoration of this 17th Century watchtower located in Wied iż-Żurrieq enabled works such as the restoration of wooden apertures, the installation of a bespoke staircase and the installation of display and interpretation panels to be executed, with the final aim of converting the tower into a visitors' centre for both locals and tourists.

The tower's restoration is testament to the Foundation's commitment to enhancing the tourism industry for the Airport's neighbouring communities and the southwest region of Malta. Once opened, popular tourist spot Wied iż-Żurrieq will be significantly enhanced, as this iconic landmark is brought back to glory.

A step back in time with the restoration of the Combined Operations Room in Valletta

Towards the end of 2016, the Malta Airport Foundation announced that it was going to be restoring the Combined Operations Room within the underground war headquarters in Valletta, in collaboration with Fondazzjoni Wirt Artna.

Built in the early stages of the Air Battle for Malta in 1940, the Combined Operations Room was where some of the key military figures of the time worked and took crucial decisions, which helped the strategically located island emerge victorious from what was to become one of the greatest battles of World War II. Later, this Room, together with the complex of which it forms part, was used by the NATO as a submarine tracking centre and had an active role in the Suez Crisis of 1956, as well as the Cuban Missile Crisis of 1962. The project is expected to be completed by 2018, to add more value to Valletta at a time when it will be enjoying the spotlight as the European Capital of Culture.

With a contribution of €284,000 to the project, the restoration of the Combined Operations Room, which has fallen into disrepair since its wartime heyday, is the Foundation's heftiest investment in Malta's heritage to date.

Filfla in the spotlight: The launch of a much-anticipated underwater documentary

In September 2016, the Foundation launched a much-anticipated, 30-minute documentary, which puts the islet of Filfla and its surrounding waters in the spotlight. The documentary, which was made widely available through prime-time TV features, social channels and other online platforms, brought people closer to the unique wonders and species harboured by Filfla's waters. This project gains further significance in light of the fact that Malta's rich marine environment entices some 111,000 tourists to experience scuba diving every year.

Spotlight on the Malta Airport Foundation Ambassador

The Malta Airport Foundation continued to back Nicola Said on her operatic journey, in line with its belief that local talent should be supported and promoted.

Most notably, she formed part of the star-studded line-up at the annual Joseph Calleja Summer Concert, which serves to showcase some of the best voices on the island and beyond. Malta Airport Foundation ambassador, Nicola Said, performed two musical pieces alongside world-renowned Joseph Calleja. Throughout 2016 Ms Said also successfully completed her education at the prestigious Guildhall School of Music and Drama in London, and performed in a number of other concerts both locally and abroad.

Corporate Responsibility (CR) Strategy

Malta International Airport approaches corporate responsibility through a dual-pronged strategy, which aims to achieve two complementary objectives: to measure, monitor and manage the Company's positive and negative impacts, as well as to channel external investments through its non-profit Malta Airport Foundation.

Our first objective concerns managing the Company's influence on its operating environment and falls under the remit of the CR Committee. This has been addressed partly through the implementation of annual sustainability reporting, which adheres to the Global Reporting Initiative (GRI) standards.

The Malta Airport Foundation is independent of the Airport and was set up to increase the transparency and focus of the Airport's CR investments. It has already been instrumental in implementing and administering initiatives, which enhance the local environment and Malta's tourism product for the benefit of both tourists and locals alike.

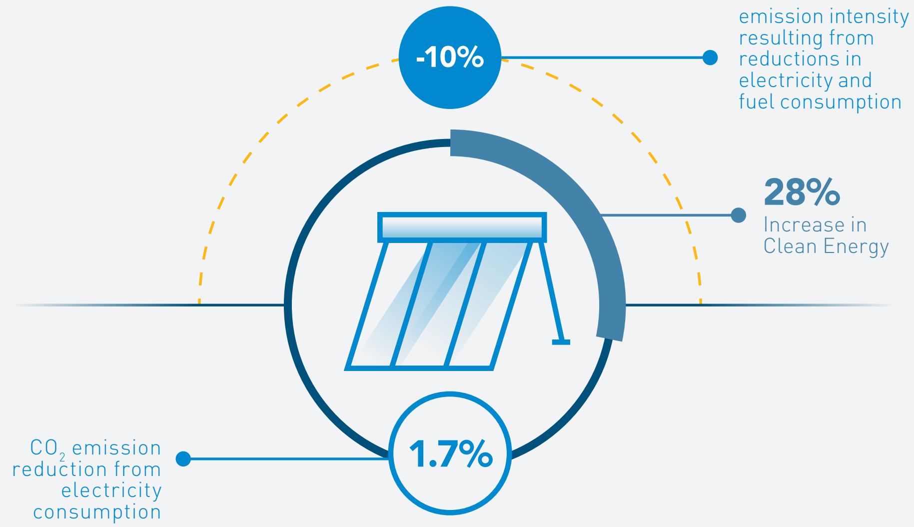
Together, these initiatives enhance transparency and accountability in our corporate responsibility efforts. The rationale for these measures includes, but is not limited to, the notion that reducing or removing our negative impacts and conversely enhancing or introducing positive ones contributes to the sustainability of our Airport, and the tourism industry at large.

Sustainability Performance Summary:

GRI Environmental Category

OVERVIEW

Building on last year's positive results in this category, the Company strived to make further headway in reducing its carbon emissions resulting from electricity and fuel consumption through a number of new and continued initiatives. Ultimately, the Company's main target was to reduce Greenhouse Gas (GHG) emissions intensity per passenger to 1.90 kg of CO_2, as passenger numbers continued to thrive.



GOAL: Reduce CO_2 emissions resulting from electricity consumption

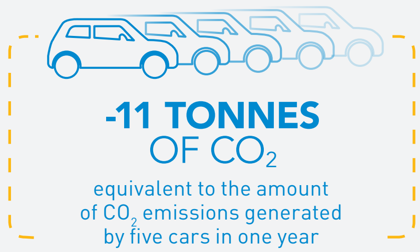
Performance Summary

A hefty investment in photovoltaic panels led to a 28% increase in the amount of clean energy generated at Malta International Airport. This investment effectively quadrupled the Airport's PV capacity, enabling it to drop its purchase of electricity from Enemalta p.l.c. This contributed to a reduction of more than 1.7% of CO_2 emissions resulting from the consumption of electricity, which gathers further significance when one considers that Malta International Airport's passengers increased by 10% during 2016.

GOAL: Reduce water consumption

Performance Summary

The lack of rainfall in 2016 necessitated the sourcing of a larger volume of water from the Water Services Corporation, as well as an increase in groundwater consumption. Total water consumption, in fact, increased by 3.5%, leaving this particular goal unachieved largely due to circumstances that were beyond the Company's control.



GOAL: Reduce CO_2 emissions resulting from fuel consumption

Performance Summary

A decrease of 11 tonnes of CO_2 emissions from fuel consumption was achieved through a number of measures that were taken both in 2015 and in the year under review, including the replacement of operational vehicles by more efficient ones and the installation of new standby generators. The results of this initiative alone are roughly equivalent to the amount of CO_2 emissions generated by five cars over a whole year.

CONCLUDING OBSERVATIONS

Investment in LED lighting, increased PV capacity and more efficient lifts, amongst other things, contributed to an overall decrease in CO_2 emissions. This led to the achievement of a lower Greenhouse Gas (GHG) emissions intensity per passenger. Registering a decrease of over 10% over last year, these emissions dropped even below the established target to 1.86 kg of CO_2 emissions per passenger.

In order to make further genuine progress in this regard, in 2016 the Company joined the Airport Council International's (ACI) Airport Carbon Accreditation programme at the Mapping Level, with the ultimate aim being to work towards carbon neutrality in the medium-term.

Sustainability Performance Summary:

GRI Economic Category

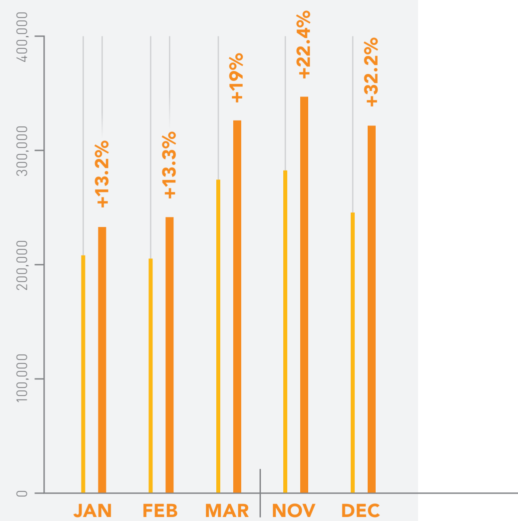
OVERVIEW

The Company continued to register traffic growth in its shoulder months and its Retail and Property portfolio developed alongside its core aviation business. This bolstered the Company's performance and led it to generate a Direct Economic Value of €73,064,829 in the year under review, enabling it to support around 4,000 jobs for yet another year, create further employment opportunities, make direct government contributions and give a healthy return to its shareholders.

GOAL: Increase the volume of passenger traffic in the winter months proportionally with the summer months

Performance Summary

The winter months grew by a staggering 20% in 2016 while the summer months registered an increase of 6%, contributing to the Airport's new traffic milestone of 5 million passengers handled annually. This goal was reached mainly through ongoing efforts made in tandem with the major stakeholders in the tourism industry and the Government of Malta to market the Maltese islands as a year-round destination. These efforts enticed a number of airlines to extend a total of nine routes from summer into winter, while four new routes were launched in the winter period.



GOAL: Sustain the ratio of the Group's non-aviation income as a percentage of its total revenue at 30%

Performance Summary

A positive trend registered across all revenue drivers within the retail and property portfolio, pushed non-aviation revenues up by 5.1%, to reach the targeted 30% of the Group's total revenues. The company continued to invest in this area, in line with its corporate strategy, with the opening of two new outlets; namely Beer Kitchen at SkyParks Business Centre and Relish within the Departures Area.

GOAL: Increase MIA's positive impact on the Maltese economy, using the 'Return on Equity' (ROE) as the metric to measure, and aiming for a 23% ROE

Performance Summary

The Return on Equity of 24.7% registered, surpassing the target 23%, indicates that this goal too was met successfully.

CONCLUDING OBSERVATION

With the Company's economic goals for 2016 achieved, the Airport remains committed to pursuing sustainable growth, fully conscious of its impact on the local economy. Ultimately, the Company's economic success has a significant impact on the country's success and vice versa.

Sustainability Performance Summary:

GRI Social Category

OVERVIEW

The Company recognises that employees who are offered opportunities to develop their potential are more engaged and motivated at work. This is reflected in the goals set in this category, which are largely centred on employee engagement and training initiatives. Results from the Annual Employee Survey indicate that the workforce is appreciative of the Company's efforts to find better ways of communicating with its employees in an effort to improve engagement.

GOAL: Drawing up of the Training and Development Policy

Performance Summary

To better structure the efforts directed at developing its people's talents, the Company drafted a Training and Development Policy, which was approved in the year under review and implemented on the 1st of January 2017. This policy does not only provide for an extensive induction programme when a new employee joins the Company, but it also ensures that employees continue benefitting from training, develop existent skills and acquire new ones throughout their employment with Malta International Airport.

GOAL: Improve employee engagement

Performance Summary

To improve employee engagement, the Company continued to encourage two-way dialogue through initiatives such as My CEO Time, enhanced its communication channels, and organised a number of activities, such as company-wide teambuilding sessions, that foster teamwork. The Annual Employee Survey revealed that these efforts were indeed successful as employee engagement improved by 11.49% and employee satisfaction with the Company's methods of communication registered an improvement of 17.99%. Moreover, the response rate to this survey grew by 11%, a result which in itself shows a higher level of engagement.

GOAL: Invest in more employee training and achieve a better balance between training offered for males and females

Performance Summary

Over 4,700 hours of training were supported by the Company, marking an increase of circa 700 hours over 2015. Male employees benefitted from an average of 15.91 hours of training and female employees benefitted from an average of 15.33 hours, indicating that the Company was successful in striking the better balance it set out to reach.

CONCLUDING OBSERVATIONS

More encouraging findings from the Annual Employee Survey show that 91% of respondents get a sense of satisfaction and achievement from their job and 87% are willing to go beyond their normal, everyday duties, when the need arises. Both of these results registered an improvement over the previous year, with the latter result indicating that employees are aware that their efforts are crucial to the achievement of the Company's objectives.

These highlights are taken from Malta International Airport's second Sustainability Report following the Global Reporting Initiative (GRI), which will be made available in full in May 2017 on **www.maltairport.com**

OUTLOOK 2017

OUTLOOK 2017

Malta International Airport's forecast for 2017 indicates that the Airport will experience a further 2-3 per cent growth, to host around 5.2 million passengers.

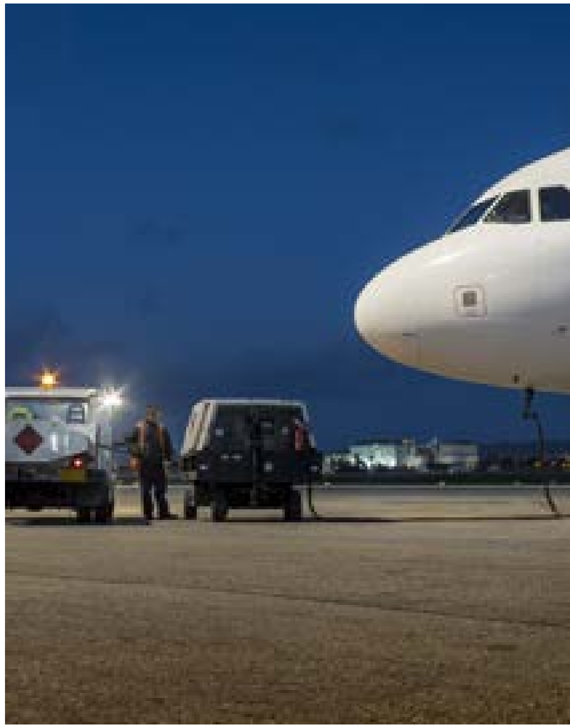
Looking ahead, Malta International Airport is also fully aware that this growth inevitably brings with it added responsibilities. In order to meet, and even exceed, the expectations of its guests and provide them with a positive first and last impression of the island, the Company will retain its focus on three priorities, namely service excellence, sustainability, and investment at every level.

Given that it is a key contributor to the nation's GDP, Malta International Airport's efforts to maximise its economic sustainability benefit both the Company itself and the local economy. The Company has projected that in 2017 it will generate a total revenue of over €73 million, of which annual taxes and dividend contributions to Government are expected to be in the region of €14 million.

Going forward, Malta International Airport will seek to strengthen existing relations with all of its stakeholders and forge new ones, to ensure that the island enjoys the best possible connections with the rest of the world throughout the year. While its outlook is positive, the Company will be keeping a close eye on developments related to Air Malta's future, especially since the national airline represents a significant portion of the Airport's traffic.

INVESTMENTS

Malta International Airport's planned investments for 2017 total €18 million, of which a significant €9 million are earmarked for the Terminal Reconfiguration Project.



During 2017, the airfield will be benefitting from an investment of €3 million, as rehabilitation works on Apron 9 and Taxi lane Tango continue from the preceding year.

Other significant projects include works on the service road on Threshold 23, further investment in the public washrooms and the installation of a new CCTV platform.

The comprehensive investment programme in place for 2017 ensures that capital is injected at every level so that Malta International Airport's capacity adequately matches the increasing demands it is facing.

LOOKING TO THE FUTURE

Malta International Airport will be focusing on further developing the Airport into a destination and looking into innovative ways to enhance the passenger experience. Moreover, before the completion of the first phase of the Terminal Reconfiguration Project, the Company will re-evaluate the demands on its infrastructure prior to entering the second phase of this ambitious project, as it prepares to seize further opportunities in its aviation segment.

As SkyParks Business Centre has rapidly become one of Malta's leading corporate addresses, the Company is also seeking to capitalise on this success and continue to enhance the attractiveness of the entire airport region. For this reason, management are actively working on the next phase of the Company's Masterplan, which centres on the development of a second building – SkyParks 2, envisaged to provide office space for 1,700 employees, as well as a business hotel.

FINANCIAL REPORT

GENERAL INFORMATION

Directors:
Nikolaus Gretzmacher (Chairman)
Alan Borg (Chief Executive Officer)
Karl Dandler (Chief Financial Officer)
Cory Greenland
Rita Heiss
Wolfgang Koeberl
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 number:
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 2016

The directors present their report together with the audited financial statements for the year ended 31 December 2016.

Principal activities

The Group's principal activities are the development, operation and management of Malta International Airport. Malta International Airport p.l.c. has a 65 year concession to operate Malta's airport, a concession which commenced in July 2002. Malta International Airport plc 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., whereas Sky Parks Development Limited and Sky Parks Business Centre Limited run the Sky Parks Business Centre building. Malta International Airport p.l.c. also set up five other subsidiaries; Kirkop PV Farm Limited, Luqa PV Farm Limited, Gudja PV Farm Limited, Gudja Two PV Farm Limited and Gudja Three PV Farm Limited with the intention to explore opportunities in the generation of electricity using photovoltaic technologies. However, in July 2016, four of these subsidiaries (namely: Luqa PV Farm Limited, Gudja PV Farm Limited, Gudja Two PV Farm Limited and Gudja Three PV Farm Limited) were liquidated and struck off the Companies Register. None of the five subsidiaries, including the retained Kirkop PV Farm Limited, traded in 2016.

Review of the business and outlook

Business environment

Traffic

Passenger traffic at Malta International Airport reached a new milestone in 2016. For the first time in the Airport's history, traffic exceeded five million passenger movements meaning a registered growth of 10.0%. This performance was partially a result of an increase of 7.6% in seat capacity as well as a record overall seat load factor of 83.3%; an improvement of 1.8 percentage points over last year. Aircraft movements increased by 4.5% to reach 35,800. This was a result of the introduction of three new airlines and eleven new scheduled routes during the year. A number of carriers also increased frequencies on their existing routes. Cargo and mail handled throughout the year reached 15,697 tonnes, a drop of 4.4% from the previous year.

Ryanair moved to the top position as the airline that carried the most passengers to and from Malta, registering a 41.3% increase in passenger movements over 2015. This substantial growth was due to Ryanair deploying more capacity at Malta International Airport as from summer 2016 and introducing a number of new routes as well as increasing frequencies on a number of existing routes and extending others into the winter schedule.

Having reduced their aircraft fleet, and reducing their seat capacity by 7.9%, the national airline, Air Malta, registered a 7.5% drop in passenger movements. Air Malta achieved a good performance from the Italian market with more seats being deployed to Catania and re-introducing the Palermo-Malta route in summer. Overall, Air Malta improved its performance in the Italian, Belgian and Dutch markets. This however was not sufficient to offset drops from Germany, United Kingdom, France, Russia, Czech Republic, Greece and Hungary.

Traffic Highlights

January to December 2016

	2016	2015	+/-	% Change
Passenger Movements	5,080,071	4,618,640	461,431	10.0%
Aircraft Movements	35,800	34,242	1,558	4.5%
Seat Capacity	6,099,060	5,669,010	430,050	7.6%
Seat Load Factor	83.3%	81.5%		1.8 PPD
Cargo and Mail (in tonnes)	15,697	16,414	-717	-4.4%
MTOW (in tonnes)	3,041,447	2,855,744	185,703	6.5%

Operational performance indicators

More than 250 airports worldwide, covering more than half the world's 7.1 billion annual passengers, participate in a benchmarking programme that measures passengers' satisfaction of airport service. This programme, known as the ASQ (Airport Service Quality) survey, was developed by the Airport Council International (ACI) and the Group is a participant. Departing passengers are interviewed whilst at the airport and are asked to rate their experience at that particular airport. The ASQ survey rates the airport's performance in 34 key service areas constituting both the departures experience and the arrivals experience.

MIA has been participating in the ASQ survey for over ten years and has consistently ranked as one of the top five airports in Europe, across all airport size categories. The target of the Group is that the Airport will continue to rank in the top ASQ positions in Europe for the foreseeable future.

The overall satisfaction scores achieved by the Group (measured out of 5, with 5 being the highest mark) for the four quarters in 2016, compared to 2015 are listed below:

	2016	2015
1st Quarter	4.21	4.21
2nd Quarter	4.18	4.22
3rd Quarter	4.26	4.26
4th Quarter	4.33	4.15
Average for the year	4.25	4.21

Infrastructural Investments

Mindful of the rapid increase in passengers in the last ten years, the Group has continued to invest in the infrastructure of the Airport both in passenger handling facilities as well as on the airfield and runways. In line with these ongoing efforts, during 2016, Malta International Airport p.l.c.'s capital expenditure totalled €7.2 million. This expenditure excludes investment in Phase I of the Terminal Reconfiguration Project, which was launched towards the end of September of the year under review and which will extend into 2017. Most of this investment was channelled into airfield improvements, which included the rehabilitation of Apron 9, upgrades on Runway 23-05, and the replacement of the instrument landing system (ILS).

The terminal building itself saw the refurbishment of washrooms, the replacement of lifts and the opening of a new Schengen to Schengen transit. Moreover, the investment in more efficient signage, both around the terminal and in the car park, and the installation of new PV panels helped the Group honour its pledge towards environmental sustainability.

Meanwhile, the procurement of new X-ray machines and more Explosive Trace Detection (ETD) equipment, served to further strengthen the Airport's security services, which are at the core of providing a secure environment for passengers at all times.

The Terminal Reconfiguration Project mentioned earlier started in September 2016 and is expected to cost €12 million when completed. Phase 1 of the project which will be completed by the end of 2017, will see the addition of a minimum of eight new check-in desks as well as the doubling of the area dedicated to passenger security. In addition, another project has been initiated for the resurfacing of additional pavement areas consisting predominantly of taxiways and aircraft parking aprons.

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 that is acceptable to the Board. The Audit Committee periodically reviews the work carried out by the Risk Management Committee of the Group and evaluates the impact which these risks pose to the Group's strategic objectives. The most important strategic, corporate and operational risks, as well any uncertainties identified during the year, together with the actions taken by the Group to reduce these risks are listed below:

Security issues

Malta International Airport continues to invest heavily year-on-year to ensure that its customers, employees and stakeholders remain safe and secure at all times. The Group 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. Its security facilities and processes are subject to extensive internal and external inspections and audits by regulators, external specialists and internal teams who regularly test the effectiveness of its security processes and identify opportunities for improvement.

Disruption to operations

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

Threat of a downturn in traffic:

Malta International Airport has registered significant passenger growth in the last ten years and it is focused on ensuring that its Airport has the capacity and quality of facilities its customers expect in the medium and longer term. However, the Group is also mindful of possible downturns in passenger traffic as a result of international negative factors such as terrorism or the increase in the price of oil; changes in local tourism strategies and changes in airlines and route preferences. It constantly monitors the economic environment and ensures that its corporate and infrastructural plans reflect the actual current situation. Moreover, most of the infrastructure projects undertaken by the Group are phased over a number of years in order to minimise the impact a possible downturn in business could have on the Group.

Outlook

Malta International Airport will be welcoming two new airlines in 2017, Eurowings from Vienna and Condor operating scheduled flights from Hamburg and Frankfurt. Low cost airline Volotea will be introducing a new route from Bordeaux whilst Wizz Air will start the new routes Katowice and Cluj-Napoca, as efforts to grow connectivity from Eastern Europe continue. Ryanair will also be extending six of their new winter routes into the summer schedule whilst a number of airlines will be operating for a longer duration. After a successful first year, Czech Airlines and Iberia Express will operate for a longer period from Prague and Madrid respectively, whilst Air Baltic will be doubling their schedule from Riga. Lufthansa will also be adding flights from Munich whereas Jet2 will be operating for a longer season and doubling their flights from Glasgow. A new Cruise & Fly operation by P&O will also commence in April as we welcome the second home-porting operation in Malta. Home carrier Air Malta is expected to retain the same fleet in 2017 and will also be implementing a number of changes to its network, increasing the number of flights to a number of primary airports as from summer.

These developments are partially diluted following NIKI dropping the Vienna route whilst Air Malta has terminated flights to Frankfurt and Manchester. Volotea and Wizz Air will also end their schedule to

Catania and Gdansk respectively. Vueling is also planning to make some network changes to its Rome base which resulted in the cancellation of its Rome-Malta route.

The International Air Transport Association (IATA) in an article published in December 2016 forecasts that 2017 is expected to be the eighth year in a row of aggregate airline profitability, illustrating the resilience to shocks that have been built into the industry structure. Capacity is expected to grow ahead of demand growth in 2017 which will lead to intense pressure on yields amid increasing competition. Demand for air travel could weaken on the back of geopolitical instability and the impact of terrorism.

The outlook for 2017 is however cautiously optimistic. We are forecasting total passenger movements to reach 5.2 million, an overall 2-3% increase in traffic over 2016. Moreover, the Group's financial targets for 2017 are expected to be; Revenues of over €73 million, and EBITDA and Net Profit to exceed €40 million and €20 million respectively. The planned expenditure on capital investments for 2017 is expected to be around €18 million, and the net debts below €14 million.

Employees

With a view to better serve its employees, in 2016 the Group reorganised its Human Resources Department, putting greater emphasis on training and staff development. The Group gave access to employees across all levels to a total of 4,500 hours of training consisting of conferences, seminars and courses. The Group also drafted a Training and Development Policy which was put into effect during the year under review.

In the last quarter of 2016, the Group launched a new uniform, designed with employees' comfort and flexibility in mind. Moreover, it continued to encourage two-way communication via a number of initiatives, one of the most important being the annual Employee Survey, which produced some very encouraging results.

During the year under review, the Group employed an average of 304 employees. Of these, seven worked with Airport Parking Limited, which is a fully-owned subsidiary of Malta International Airport p.l.c., and three were employed with SkyParks Business Centre. While the majority of these employees were employed on a full-time basis, an average of 28 employees worked on a part-time basis.

Corporate Responsibility

The directors are committed to high standards of corporate responsibility (CR), particularly in the social, economic and environmental fields, both internally and externally, and for the benefit of the Group's key stakeholders, which include its employees, customers, partners and shareholders.

In 2016, the Group undertook a number of CR initiatives to help to remove, reduce or mitigate the negative impacts as well as improve and build on the positive ones.

The voluntary publication of its first Sustainability Report assessing the Group's 2015 impacts and following the Global Reporting Initiative (GRI) standards, marked a turning point in how the Group measures and reports its sustainability performance as a socially responsible business in the tourism industry.

In the period under review, the Group continued its efforts to reduce its emissions footprint which included the installation of LED signage and lighting, the introduction of more energy efficient vehicles in its fleet, the replacement of the air conditioning plant with more efficient equipment and a significant investment in PV panels that quadrupled the Group's capacity to generate clean energy.

Moreover, in order to better manage its carbon emissions and proceed to take steadier steps towards carbon neutrality, in 2016 the Group joined the ACI's Airport Carbon Accreditation programme at the Mapping Level.

Financial performance

Financial results

The revenue of the Group increased in 2016 from €66.97 million in 2015 to €73.06 million; an increase of €6.1 million or 9.1%. The Airport Segment increased by €5.0 million from €46.5 million to €51.5 million. The Retail and Property Segment also increased by €1.2 million from €20.0 million to €21.2 million.

The Earnings before Interest, Taxation Depreciation and Amortization (EBITDA) of the Group increased by 12.2%; from €35.64 million to €39.99 million and the EBITDA margin increased from 53.2% to 54.7%. There was also an increase in profit before tax. Profit increased from €29.79 million to €32.39 million, an increase of 8.7%. The total comprehensive income for the year attributable to shareholders, net of tax for the Group also increased from €18.92 million to €20.91 million; an increase of 10.5% over the previous year.

The financial results of the Group for 2016 were an improvement on the results of the previous year and were driven largely by another significant increase in the volume of passenger traffic. Concurrently, the Group managed to maintain control of its cost base, notwithstanding the constantly challenging environment in which the Group operates.

Revenues

Revenues from the airport segment constitute 70% of total revenues, with aviation-related revenues remaining the most important income stream of the Group.

The revenues from the Retail and Property Segment increased by 6.1%, constituting 29% of total revenues.

Operating and other costs

The operating costs of the Group were higher than those of 2015 by almost €2 million or 8.3%. The operating costs went up from €23.04 million to €24.94 million with significant increases registered in repairs and maintenance, legal and professional fees, passenger security service, cleaning, technical services and marketing and communication costs. Most of these increases are directly related to the higher volume of passenger traffic compared to the previous year.

Wages and salaries went up from €7.28 million to €7.41 million compared to the previous year but the overall staff costs decreased from €8.28 million to €8.13 million.

As regards to non-operating costs and revenues, there was a 3% increase in the depreciation charge for the year, from €6.6 million to €6.8 million but a €1.74 million decrease in investment income due to the fact that the 2015 figure incorporated the sale of the investment the Group had in Valletta Cruise Port p.l.c. Finance costs of the Group also decreased from €2.18 million to €1.99 million; a decrease of 8.9%.

Financial results and dividends

The financial results for the Group and the Company for year ended 31 December 2016 are shown in the Statement of Comprehensive Income on page 93. The total comprehensive income of the Group for the year after taxation amounted to €20,912,407 (2015: €18,922,734).

Further to the net interim dividends paid of €4,059,000 (gross €6,244,615), the Board of Directors is recommending the payment of a final net dividend of €0.07 per share (gross €0.107692) on all shares settled as at close of business on 10 April 2017, which dividend shall be paid by not later than the 26 May 2017.

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 of €85,097,748 and €86,135,642 for the Group and the Company respectively as at 31 December 2016.

Going concern

After reviewing the Group's budget for the next financial year, and 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

The most significant financial risks of the Group and the Company identified during the year and their financial risk management objectives appear in detail in Note 38 of the Financial Statements.

Financial key performance indicators

(In € Million)

	Financial Year 2016	Change in %	Financial Year 2015	Change in %	Financial Year 2014
Total turnover	73.06	9.1	66.97	4.2	64.29
Thereof Aviation	51.49	10.9	46.45	4.0	44.65
Thereof Non-Aviation	21.57	5.1	20.52	4.5	19.64
EBIT	33.15	14.3	29.00	6.2	27.31
EBIT margin in %	45.37	4.8	43.30	1.9	42.48
EBITDA	39.99	12.2	35.64	5.3	33.84
EBITDA margin in %	54.74	2.8	53.22	1.1	52.64
ROCE in %	20.64	21.8	16.94	4.5	16.21
Net Profit	20.98	8.9	19.27	14.5	16.83
Cash flow from operating activities	27.30	(7.5)	29.52	53.0	19.30
Equity	85.10	9.5	77.69	5.5	73.62
Balance sheet total	172.36	0.3	171.91	3.7	165.70
Capital expenditure	7.16	(0.4)	7.19	19.6	6.01
Taxes on income	11.41	8.5	10.52	14.0	9.23
Average employees for the year	304	(0.7)	306	(3.2)	316

Share capital

The share capital of the Company is €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 €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 are non-transferable for a period of fifteen (15) years from the 26 July 2002, upon which date they shall automatically become 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 attaching 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 – Consolidated Fund
- VIE (Malta) Ltd.
- MMLC Holding Malta Ltd. (formerly SNC Lavalin (Malta) Ltd.)

Share Capital (CONTINUED)

On the 2 February 2016, Malta International Airport p.l.c. was informed that Flughafen WIEN AG, the main shareholder of Malta Mediterranean Link Consortium Ltd. (MMLC) and the ultimate shareholder of VIE (Malta) Ltd. announced the signing of a share purchase agreement to acquire 38.75% of the shares of MMLC from SNC-Lavalin Group Inc.

By acquiring SNC-Lavalin Group Inc.'s indirect stake in MMLC, Flughafen Wien AG increased its holding in MMLC from 57.10% to 95.85% and the total consolidated holding in Malta International Airport p.l.c. (including the 10.10% direct interest of VIE (Malta) Ltd.) to more than 48%.

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 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 Financial Officer and the Chief Commercial Officer.

Powers of directors

The directors of the Company have all the powers necessary to manage and direct the Group.

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 Group.

Directors

The directors who served during the year were:

Director	Title	Since
Mr Nikolaus Gretzmacher	Chairman & Non-Executive Director	2012
Mr Youssef Sabeh	Non-Executive Director	2010
Ms Rita Heiss	Non-Executive Director	2015
Dr Cory Greenland	Non-Executive Director	2015
Mr Wolfgang Koeberl	Non-Executive Director	2016
Mr Alan Borg	CEO and Executive Director	2012
Mr Karl Dandler	CFO and Executive Director	2014

During the financial year, Mr Youssef Sabeh resigned from his position as a Non-Executive Director with effect from 30th March 2016. Mr Wolfgang Koeberl was appointed Non-Executive Director with effect from the 1st May 2016. On the 18th January 2017, Mr Florian Nowotny was appointed as a Non-Executive Director.

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:

Director	
Nikolaus Gretzmacher	a non-beneficial interest[1]
Youssef Sabeh	a non-beneficial interest[2]
Rita Heiss	a non-beneficial interest[3]
Cory Greenland	a beneficial interest

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

Auditor

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

Approved by the Board of Directors on 22nd February 2017 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, a company of which Mr Gretzmacher is a director

[2]These shares are held by MMLC, a company of which Mr Sabeh was a director until March 2016

[3]These shares are held by MMLC, a company 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 Group and the Company at the end of each financial year and of the profit or loss of the Group and the Company for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements 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 is 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 its Group as at 31 December 2016 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

Karl Dandler
Chief Financial Officer

obo/directors

CORPORATE GOVERNANCE - STATEMENT OF COMPLIANCE

1. 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 2016.

2. 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 and its size 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.

3. 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 has obtained 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 every 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
Mr Youssef Sabeh[4]	Non-Executive Director	2010
Ms Rita Heiss	Non-Executive Director	2015
Dr Cory Greenland	Non-Executive Director	2015
Mr Wolfgang Koeberl[5]	Non-Executive Director	2016
Mr Alan Borg	CEO and Executive Director	2012
Mr Karl Dandler	CFO and Executive Director	2014

[4] Mr Youssef Sabeh resigned from the office of non-executive director with effect from 30 March 2016

[5] Mr Wolfgang Koeberl was appointed a non-executive director with effect from 1 May 2016

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 whole year. Board meetings focus 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 every 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 are also employees of Flughafen Wien AG, the company's ultimate parent company. Notwithstanding the above relationship the Board still considers Mr Gretzmacher and Ms Heiss 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 policy. 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 Chief Executive Officer chairs the Executive Committee.

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

Mr Alan Borg – Chief Executive Officer
Mr Karl Dandler – Chief Finance Officer
Ing Martin Dalmas – Airport Operations
Mr George Mallia – Retail and Property
Mr Ian Maggi – Innovation, ICT and Procurement
Mr Patrick Murgo – Security
Ms Tina Lombardi – Human Resources and Strategy
Ms Vicki Brown - Projects[6]
Ms Fleur Farrugia – Human Resources[7]
Mr Michael Lombardi – Technical Facilities
Ms Kristina Borg Cardona - Marketing and Brand Development[8]
Mr Alex Cardona – Traffic Development[9]
Ing Ivan Zahra - Projects[10]

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

In line with the requirements of Code provision 4.3, the Board has over the year under review organised a full training session for directors on their duties as directors of a listed company with specific reference to updates in connection with the duties under the Market Abuse Regulation.

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 managements system and, where applicable, its internal audit, regarding the financial reporting of the Issuer, without breaching its independence;
- monitoring of the audit of the annual and consolidated financial statements;
- reviewing the additional report 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;
- recommending the statutory auditor/s or the audit firm/s to be appointed.

The Committee comprised during the year ended 31 December 2016 the three (3) Non-Executive Directors, namely Ms Rita Heiss, Dr Cory Greenland and Mr Youssef Sabeh. The latter was replaced by Mr Wolfgang Koeberl as from the 30 March 2016. 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 Ms Rita Heiss, was independent and competent in accounting and/or auditing in terms of Listing Rule 5.117, but that following the acquisition by Flughafen Wien AG of a majority shareholding in the Company during the course of 2016, she no longer qualified as independent in accordance with the Listing Rule 5.119 in view of her employment with that Company. Notwithstanding the foregoing, the directors believe that Ms Rita Heiss has exercised her role within the Audit Committee with the required levels of independence of judgement. [11]

[6] Ms Vicki Brown ceased to be a member of the Committee on 7 October 2016
[7] Ms Fleur Farrugia ceased to be a member of the Committee on 13 September 2016
[8] Ms Kristina Borg Cardona was appointed member of this Committee on 1 January 2016
[9] Mr Alex Cardona was appointed member of the Committee on 14 September 2016
[10] Ing Ivan Zahra was appointed member of the Committee on 7 October 2016
[11] The position has been addressed with the appointment of Mr Florian Nowotny as an independent director.

Audit Committee (CONTINUED)

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 Company strategic plan. 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 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.

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 is 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 2016
Mr Nikolaus Gretzmacher	6/6
Mr Youssef Sabeh	2/2
Ms Rita Heiss	6/6
Dr Cory Greenland	6/6
Mr Wolfgang Koeberl	4/4
Mr Alan Borg	6/6
Mr Karl Dandler	6/6

The Chairman ensures that all relevant issues are on the agenda 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 on the Board strikes a balance between long-term strategic and short-term performance issues.

Directors attend meetings on 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 has, over the year under review, organised a training session for directors in connection with their statutory duties and responsibilities, and particularly to update them with new regulatory trends and requirements specifically the Market Abuse Directive. 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 establishes the remuneration policies of the Company itself. 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 €551,824. For the purposes of the provisions of Article 63 of the Company's Articles of Association, the aggregate emoluments paid to the directors is €286,513 which is within the amount approved by the shareholders of €465,875 for the purpose of that Article. The aggregate emoluments paid to the senior executives amount to €469,304.

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 Nominations Committee as suggested by the Code.

Principles Nine and Ten: 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 that it published 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 which 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 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 who 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:

Director	
Nikolaus Gretzmacher	a non-beneficial interest[12]
Youssef Sabeh	a non-beneficial interest[13]
Rita Heiss	a non-beneficial interest[14]
Cory Greenland	a beneficial interest

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

[12] These shares are held by MMLC, a company of which Mr Nikolaus Gretzmacher is a director
[13] These shares are held by MMLC, a company of which Mr Youssef Sabeh was a director until March 2016
[14] These shares are held by MMLC, a company of which Ms Rita Heiss is a director

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.

4. 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:

Non-Compliance with Code provisions (CONTINUED)

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 involved in ensuring that appropriate schemes to recruit, retain and motivate employees and senior management are in place.
7.1	The Board believes that the size of the Company and the Board itself do not warrant the proliferation of several committees. 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 Nominations 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 Nominations Committee and following an evaluation may, if the need arises, make recommendations to the shareholders for a change to the Articles of Association.
9.3	The Memorandum and Articles of Association does 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 to do arise.
9.4	The Company does not have a policy in place to allow minority shareholders to present an issue to the Board.

5. 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. 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.

6. 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 each shareholder is entitled to one vote and on a poll each shareholder is entitled to one vote for each 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 directors' statement of responsibilities for preparing the financial statements is set out on page 82.

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

Approved by the Board of Directors on 22nd February 2017 and signed on its behalf by:

Nikolaus Gretzmacher
Chairman

Alan Borg
Chief Executive Officer

Karl Dandler
Chief Financial Officer

STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 December 2016

		The Group		The Company	
	Notes	**2016 EUR**	2015 EUR	**2016 EUR**	2015 EUR
Revenue	5	**73,064,828**	66,965,843	**69,553,500**	63,689,590
Staff costs	11	**(8,131,939)**	(8,281,368)	**(7,899,555)**	(8,058,219)
Depreciation	14,15	**(6,842,781)**	(6,638,972)	**(6,004,311)**	(5,745,812)
Other operating expenses	9	**(24,944,368)**	(23,041,520)	**(24,464,846)**	(22,582,182)
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	**1,023,081**	2,760,817	**1,163,809**	4,645,737
Finance costs	8	**(1,990,102)**	(2,183,944)	**(1,146,790)**	(1,304,746)
Profit before tax		**32,387,483**	29,789,621	**31,410,572**	30,853,133
Income tax expense	12	**(11,405,856)**	(10,518,553)	**(11,055,814)**	(10,866,667)
Profit for the year attributable to the ordinary equity holders of the Company		**20,981,627**	19,271,068	**20,354,759**	19,986,466
Other comprehensive income / (expense) *Items that may be reclassified subsequently to profit or loss:*					
Net gain on available-for-sale financial assets	17	**3,318**	6,567	**3,318**	6,567
Items that will not be reclassified subsequently to profit or loss:					
Actuarial losses on defined benefit pension plans	25,26	**(111,598)**	(546,002)	**(111,598)**	(546,002)
Deferred tax credit	12	**39,059**	191,101	**39,059**	191,101
		(72,539)	(354,901)	**(72,539)**	(354,901)
Other comprehensive expense for the year attributable to the ordinary equity holders of the Company, net of tax		**(69,220)**	(348,334)	**(69,220)**	(348,334)
Total comprehensive income for the year attributable to the ordinary equity holders of the Company, net of tax		**20,912,407**	18,922,734	**20,285,538**	19,638,132
Earnings per share attributable to the ordinary equity holders of the Company	30	**15.51cents**	14.24cents	**15.04cents**	14.77cents

STATEMENTS OF FINANCIAL POSITION

31 December 2016

	Notes	The Group 2016 EUR	The Group 2015 EUR	The Company 2016 EUR	The Company 2015 EUR
ASSETS					
Non-current assets					
Property, plant and equipment	14	**98,669,856**	97,484,385	**98,306,532**	97,044,642
Investment property	15	**17,240,197**	18,118,585	**-**	-
Investment in subsidiaries	16	**-**	-	**2,004,800**	9,600
Available-for-sale financial assets	17	**103,648**	100,330	**103,648**	100,330
Loans and receivables	18	**-**	-	**4,600,000**	6,600,000
Deferred tax assets	19	**4,083,787**	3,952,722	**3,884,691**	3,823,718
		120,097,489	119,656,022	**108,899,671**	107,578,290
Current assets					
Inventories	20	**834,443**	816,582	**834,443**	816,582
Trade and other receivables	21	**14,880,674**	11,797,884	**13,863,884**	10,677,196
Cash and short term deposits	29	**36,550,212**	39,644,210	**35,500,917**	38,577,611
		52,265,329	52,258,676	**50,199,244**	50,071,389
TOTAL ASSETS		**172,362,817**	171,914,698	**159,098,915**	157,649,679
EQUITY AND LIABILITIES					
Equity attributable to ordinary shareholders of the Company					
Share capital	27	**33,825,000**	33,825,000	**33,825,000**	33,825,000
Other reserve	28	**1,228,107**	1,276,752	**1,228,107**	1,276,752
Fair value reserve	28	**27,043**	23,725	**27,043**	23,725
Retained earnings		**50,017,598**	42,563,671	**51,055,492**	44,228,434
Total equity		**85,097,748**	77,689,148	**86,135,642**	79,353,911
Non-current liabilities					
Bank loans	23	**43,866,560**	31,347,984	**31,291,524**	18,072,948
Deferred income	24	**5,667,827**	5,978,600	**5,583,322**	5,894,094
Provision for retirement benefit plan	25	**4,365,940**	4,192,969	**4,365,940**	4,192,969
Provision for MIA benefit plan	26	**223,936**	210,890	**223,936**	210,890
		54,124,263	41,730,443	**41,464,722**	28,370,901
Current liabilities					
Trade and other payables	22	**29,496,332**	25,558,802	**28,837,526**	23,907,657
Bank loan	23	**2,481,423**	25,750,157	**1,781,423**	25,075,157
Current tax liabilities		**1,163,051**	1,186,148	**879,602**	942,053
		33,140,806	52,495,107	**31,498,551**	49,924,867
Total liabilities		**87,265,069**	94,225,550	**72,963,273**	78,295,768
TOTAL EQUITY AND LIABILITIES		**172,362,817**	171,914,698	**159,098,915**	157,649,679

These financial statements were approved and authorised for issue by the Board of Directors on 22 February 2017 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 2016

Equity attributable to ordinary shareholders of the company

The Group	Share capital EUR	Other reserve EUR	Fair value reserve EUR	Retained earnings EUR	Total EUR
Balance at 1 January 2015	**33,825,000**	**1,325,397**	**17,158**	**38,455,666**	**73,623,221**
Profit for the year	-	-	-	19,271,068	19,271,068
Other comprehensive income/ (expense)	-	-	6,567	(354,901)	(348,334)
Total comprehensive income for the year	-	-	6,567	18,916,167	18,922,734
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax (note 19)	-	26,193	-	-	26,193
Dividends (note 13)	-	-	-	(14,883,000)	(14,883,000)
Balance at 31 December 2015	**33,825,000**	**1,276,752**	**23,725**	**42,563,671**	**77,689,148**

Equity attributable to ordinary shareholders of the company

	Share capital EUR	Other reserve EUR	Fair value reserve EUR	Retained earnings EUR	Total EUR
Balance at 1 January 2016	**33,825,000**	**1,276,752**	**23,725**	**42,563,671**	**77,689,148**
Profit for the year	-	-	-	20,981,627	20,981,627
Other comprehensive income/ (expense)	-	-	3,318	(72,539)	(69,220)
Total comprehensive income for the year	-	-	3,318	20,909,089	20,912,407
Difference between historical cost depreciation charge and actual 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 2016	**33,825,000**	**1,228,107**	**27,043**	**50,017,598**	**85,097,748**

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2016

Equity attributable to ordinary shareholders of the company

The Company	Share capital EUR	Other reserve EUR	Fair value reserve EUR	Retained earnings EUR	Total EUR
Balance at 1 January 2015	**33,825,000**	**1,325,397**	**17,158**	**39,405,031**	**74,572,586**
Profit for the year	-	-	-	19,986,466	19,986,466
Other comprehensive income/ (expense)	-	-	6,567	(354,901)	(348,334)
Total comprehensive income for the year	-	-	6,567	19,631,565	19,638,132
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax (note 19)	-	26,193	-	-	26,193
Dividends (note 13)	-	-	-	(14,883,000)	(14,883,000)
Balance at 31 December 2015	**33,825,000**	**1,276,752**	**23,725**	**44,228,434**	**79,353,911**

Equity attributable to ordinary shareholders of the company

	Share capital EUR	Other reserve EUR	Fair value reserve EUR	Retained earnings EUR	Total EUR
Balance at 1 January 2016	**33,825,000**	**1,276,752**	**23,725**	**44,228,434**	**79,353,911**
Profit for the year	-	-	-	20,354,759	20,354,759
Other comprehensive income/ (expense)	-	-	3,318	(72,539)	(69,220)
Total comprehensive income for the year	-	-	3,318	20,282,220	20,285,538
Difference between historical cost depreciation charge and actual 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 2016	**33,825,000**	**1,228,107**	**27,043**	**51,055,492**	**86,135,642**

STATEMENTS OF CASH FLOWS

Year ended 31 December 2016

	Notes	The Group 2016 EUR	The Group 2015 EUR	The Company 2016 EUR	The Company 2015 EUR
Cash flows from operating activities					
Profit before tax		**32,387,483**	29,789,621	**31,410,572**	30,853,133
Adjustments for:					
Depreciation of property, plant and equipment	14,15	**6,842,781**	6,638,972	**6,004,311**	5,745,812
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 European Commission grant	24	**(40,255)**	(40,255)	**(40,255)**	(40,255)
Amortisation of Norwegian grant	24	**(51,761)**	(51,761)	**(51,761)**	(51,761)
Amortisation of Government grant	24	**(9,991)**	(9,991)	**(9,991)**	(9,991)
Interest expense	8	**1,990,102**	2,183,944	**1,146,790**	1,304,746
Loss/(gain) on sale of property, plant and equipment		**(15,289)**	21,702	**(15,289)**	21,702
Investment income	7	**(1,023,081)**	(2,760,817)	**(1,163,809)**	(4,645,737)
Provision for retirement benefit plan		**63,810**	85,397	**63,810**	85,397
Provision for MIA benefit plan	26	**41,410**	37,946	**41,410**	37,946
Movement in provision for impairment of trade receivables	21	**7,338**	(103,746)	**13,338**	(103,593)
		39,983,782	35,582,247	**37,190,361**	32,988,634
Working capital movements:					
Movement in inventories		**(17,861)**	11,077	**(17,861)**	11,077
Movement in trade and other receivables		**(3,090,128)**	2,589,818	**(3,195,224)**	2,153,573
Movement in trade and other payables and other financial liabilities		**3,937,530**	4,303,044	**4,929,869**	5,046,798
Cash flows from operations		**40,813,324**	42,485,745	**38,907,145**	40,200,082
Interest paid		**(1,990,102)**	(2,183,944)	**(1,146,790)**	(1,304,746)
Income taxes paid		**(11,494,768)**	(10,520,185)	**(11,113,988)**	(10,953,788)
Retirement benefit paid		**(30,800)**	(258,105)	**(30,800)**	(258,105)
Net cash flows from operating activities		**27,297,654**	29,523,511	**26,615,567**	27,683,443
Cash flows from investing activities					
Receipt of deposit from tenant	24	**-**	61,883	**-**	-
Payments for property, plant and equipment	14,15	**(7,159,376)**	(6,903,472)	**(7,275,712)**	(6,884,009)
Purchase of financial assets		**-**	(88,000)	**-**	(88,000)
Payments for investment property		**-**	(284,464)	**-**	-
Proceeds from sale of property, plant and equipment		**24,800**	8,500	**24,800**	8,500
Proceeds from sale of financial assets not classified as at fair value through profit or loss	7	**-**	3,042,994		3,042,994
Dividends received	13	**-**	-	**-**	1,692,308
Interest received		**1,023,081**	896,214	**1,163,809**	896,214
Net cash flows used in investing activities		**(6,111,494)**	(3,266,345)	**(6,087,103)**	(1,331,993)
Cash flows from financing activities					
Repayment of bank loans		**(10,750,158)**	(2,456,422)	**(10,075,158)**	(1,781,422)
Dividends paid	13	**(13,530,000)**	(14,883,000)	**(13,530,000)**	(14,883,000)
Net cash flows used in financing activities		**(24,280,158)**	(17,339,422)	**(23,605,158)**	(16,664,422)
Net movement in cash and cash equivalents		**(3,093,999)**	8,917,744	**(3,076,694)**	9,687,028
Cash and cash equivalents at the beginning of the year		**39,644,210**	30,726,466	**38,577,611**	28,890,583
Cash and cash equivalents at the end of the year	29	**36,550,212**	39,644,210	**35,500,917**	38,577,611

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

1. Corporate Information

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 the 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 three wholly-owned subsidiaries, Kirkop PV Farm Limited, Luqa PV Farm Limited and Gudja PV Farm Limited. On 20 September 2013, the Company set up two other wholly-owned subsidiaries; Gudja Two PV Farm Limited and Gudja Three PV Farm Limited. The main activity of these companies was to explore opportunities in the generation of electricity using photovoltaic technologies. Luqa PV Farm Limited, Gudja PV Farm Limited, Gudja Two PV Farm Limited and Gudja Three PV Farm Limited were liquidated during the year. The Company and the subsidiaries constitute 'the Group'.

2.1 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 the fair valuation of the available-for-sale financial assets, and are in accordance with International Financial Reporting Standards 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 significant accounting policies adopted are set out here.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Malta International Airport p.l.c., and its Subsidiaries, as mentioned in note 1 above.

The financial statements of the Subsidiaries are prepared for the same reporting period as 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.

2.2 Significant accounting policies

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 as at 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 on the date of the privatisation of the Company in 2002 and depreciation based on the asset's original cost prior

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.

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.

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.

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 are accounted for on the basis of the direct equity interest and are 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.

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.

(i) Trade and other receivables

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.

(ii) Available-for-sale financial assets

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.

(iii) Loans and receivables

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.

(iv) Bank and other borrowings

Subsequent to initial recognition, interest-bearing bank loans 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.

(v) Trade payables

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

(vi) 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.

(vii) Shares issued by the Company

Ordinary shares issued by the Company are classified as equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and comprises

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
2.2 Significant Accounting Policies (CONTINUED)

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.

Impairment

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. 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 indicates 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.

In the case of other 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 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.

Revenue recognition

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 these can be measured reliably. The following specific recognition criterion must also be met before revenue is recognised:

(i) Rendering of services

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.

Interest income

Interest income is recognised on an accruals basis using the effective interest rate. Interest income is included in finance income in the profit or loss.

Grants

Grants are recognised in profit or loss 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 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 every 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 (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.

2.3 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:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on 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 each reporting period.

2.4 Consolidation Range

The consolidated financial statements include all subsidiaries, with the exception of one (2015: subsidiary (previous year: 5). As in the previous year, one (2015: 5) subsidiary (-ies) was/ (were) not included in the consolidated financial statements because its economic significance and influence on the asset, financial and earnings position of the Group are immaterial.

Subsidiaries not included in the consolidated Financial Statements 2016:
- Kirkop PV Farm Limited
- Luqa PV Farm Limited - liquidated 2016
- Gudja PV Farm Limited - liquidated 2016
- Gudja Two PV Farm Limited - liquidated 2016
- Gudja Three PV Farm Limited - liquidated 2016

The net liability position of Kirkop PV Farm Limited is under EUR3,000. The company did not commence to trade by the balance sheet date. The 2016 consolidated financial statements include Malta International Airport p.l.c. as well as three domestic (previous year: 3) subsidiaries that are controlled by Malta International Airport p.l.c.

Subsidiaries included in the consolidated Financial Statements 2016:

- Airport Parking Limited
- Sky Parks Development Limited
- Sky Parks Business Centre Limited

Financial information on those subsidiaries see note (16).

3. Judgements 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 judgements 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.

IFRIC 12 Service Concession Arrangements
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 who 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

(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's 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.

Lessee accounting in terms of IAS 17 Leases
As further disclosed in note 34, operating lease payments represent ground rents payable by the Company to the Government of Malta on the temporary emphyteuses, with an original term of 65 years and periodic upwards adjustments by a specified rate over the lease term. The lease expense 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. International Financial Reporting Standards and International Financial Reporting Standards in use but not yet effective

International Financial Reporting Standards 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.

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 companies that also apply IFRS 15. The Standard has not 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, this Standard will be given due attention by the Board prior to its effective date.

IFRS 9– Financial Instruments

The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The Standard supersedes all previous versions of IFRS 9. IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply.

The new model also results in a single, forward-looking 'expected loss' impairment model that will require more timely recognition of expected credit losses. IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. This Standard has been endorsed by the EU.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and a number of revenue-related interpretations. The Standard applies to nearly all contracts with customers, the main exceptions being leases, financial instruments and insurance contracts. By virtue of an amendment issued on 11 September 2015, the effective date of the Standard was deferred by one year to annual periods beginning on or after 1 January 2018, with earlier application being permitted. This Standard has been endorsed by the EU.

On 12 April 2016, the IASB issued certain clarifications to IFRS 15, which are effective for periods beginning on or after 1 January 2018, with earlier application being permitted. These clarifications have not as yet been endorsed by the EU.

IAS 7 Amendments – Disclosure Initiative

The Amendments to IAS 7, Statement of Cash Flows, are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted. The Amendments have not as yet been endorsed by the EU at the date of authorisation of these financial statements.

The Group and the Company are in the process of assessing the impact of these standards on the financial position and performance of the Group and the Company.

The Board of Directors anticipates that the adoption of the International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective, other than the above, will have no material impact on the financial statements of the Group and the Company in the period of initial application.

Initial Application of International Financial Reporting Standards

In the current year, the Company and the Group have applied the Amendments to IAS 19 Employee Benefits arising from the Annual Improvements to IFRSs 2012 – 2014 Cycle. These Amendments are effective for annual periods beginning on or after 1 January 2016. The amendment to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments result in the depth of the market for high quality corporate bonds being assessed at currency level.

The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. The initial adjustment at the beginning of the comparative period arising from the application of these amendments is not considered to be material. No further adjustment was considered necessary in relation to the discount rate applied by the Company and the Group at 31 December 2015 and at 31 December 2016.

In the current year, the Company and the Group have applied the Amendments to IAS 1 entitled "Disclosure Initiative." These Amendments are effective for annual periods beginning on or after 1 January 2016. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. The application of these Amendments has not resulted in any significant impact to these financial statements.

5. Revenue

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

The contribution of the various activities of the Group and the Company to turnover which are in respect of continuing activities are set out below:

The Group

	2016 EUR	2015 EUR
By activity:		
Regulated fees	**46,420,057**	41,428,540
Commercial fees	**17,215,294**	16,505,590
Recharges and other income	**9,429,477**	9,031,713
	73,064,828	66,965,843

The Company

	2016 EUR	2015 EUR
By activity:		
Regulated fees	**46,420,057**	41,428,540
Commercial fees	**14,747,529**	14,186,771
Recharges and other income	**8,385,914**	8,074,279
	69,553,500	63,689,590

Regulated fees comprise income from aviation services which arise from income from passenger services charge, security fee and landing and parking fee.

Commercial fees comprise income from retail activities, rent, advertising, and aviation concessionaires.

Recharges and other income comprise of the other income which is not included in the regulated and commercial fees such as PRM charge, VIP services, amenities and parking fees.

6. Operating segment information

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 metres 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.

The results of the segments are reported below:

Segment results — **The Group**

	2016 EUR	2015 EUR
Airport		
Segment revenue (external)	**51,494,338**	46,446,238
Segment staff costs	**6,620,654**	6,768,270
Segment other operating costs	**20,572,940**	18,613,606
Segment depreciation	**4,441,771**	4,379,566
Segment EBIT	**19,858,973**	16,684,796
Retail and Property		
Segment revenue (external)	**21,212,862**	20,001,078
Segment staff costs	**1,511,285**	1,513,098
Segment other operating costs	**4,371,428**	4,427,914
Segment depreciation	**2,401,011**	2,259,406
Segment EBIT	**12,929,138**	11,800,660
Other		
Revenue (external)	**357,628**	518,527
EBIT	**357,628**	518,527
Total		
Segment revenue (external)	**73,064,828**	66,965,843
Segment staff costs	**8,131,939**	8,281,368
Segment other operating costs	**24,944,368**	23,041,520
Segment depreciation	**6,842,782**	6,638,972
Segment EBIT	**33,145,739**	29,003,983

6. Operating Segment Information (CONTINUED)

Airport Segment

The Airport Segment comprises 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 and Sky Parks Business Centre Limited are also allocated within the Retail & Property Segment.

Other

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

The Group 31 December 2016	Airport EUR	Retail and Property EUR	Other EUR	Group EUR
Segment revenue (external)	51,494,338	21,212,862	357,628	73,064,828
Segment staff costs	(6,620,654)	(1,511,285)	-	(8,131,939)
Segment other operating costs	(20,572,940)	(4,371,428)	-	(24,944,368)
Segment depreciation	(4,441,771)	(2,401,011)	-	(6,842,782)
Segment EBIT	19,858,973	12,929,138	357,628	33,145,739
Investment income				1,023,081
Finance cost				(1,990,102)
Release of deferred income arising on the sale of terminal buildings and fixtures				208,765
Profit before tax				**32,387,483**

31 December 2015	Airport EUR	Retail and Property EUR	Other EUR	Group EUR
Segment revenue (external)	46,446,238	20,001,078	518,527	66,965,843
Segment staff costs	(6,768,270)	(1,513,098)	-	(8,281,368)
Segment other operating costs	(18,613,606)	(4,427,914)	-	(23,041,520)
Segment depreciation	(4,379,566)	(2,259,406)	-	(6,638,972)
Segment EBIT	16,684,796	11,800,660	518,527	29,003,983
Investment income				2,760,817
Finance cost				(2,183,944)
Release of deferred income arising on the sale of terminal buildings and fixtures				208,765
Profit before tax				29,789,621

Airport segment revenues generated from two clients amounted to €17,580,984 and €17,622,310. These clients registered respective revenues of €19,359,506 and €11,298,827 during 2015.

7. Investment Income

	The Group 2016 EUR	The Group 2015 EUR	The Company 2016 EUR	The Company 2015 EUR
Interest income on financial assets	**-**	-	**140,728**	192,612
Interest income on bank deposits	**1,023,081**	896,214	**1,023,081**	896,214
Total interest income on financial assets not classified as at fair value through profit or loss	**1,023,081**	896,214	**1,163,809**	1,088,826
Gain on disposal of available-for-sale investment measured at cost	**-**	1,864,603	**-**	1,864,603
Dividends from equity investments	**-**	-	**-**	1,692,308
	1,023,081	2,760,817	**1,163,809**	4,645,737

8. Finance Costs

	The Group 2016 EUR	The Group 2015 EUR	The Company 2016 EUR	The Company 2015 EUR
Interest on bank loans	**1,990,102**	2,183,944	**1,146,790**	1,304,746

9. Other Operating Expenses

	The Group 2016	The Group 2015	The Company 2016	The Company 2015
Repairs and maintenance	**2,318,615**	1,868,171	**2,163,587**	1,759,203
Marketing and communication costs	**4,621,158**	4,036,991	**4,558,355**	4,003,283
Insurance	**364,756**	367,404	**352,930**	353,607
Telecommunications	**89,547**	103,982	**86,771**	101,483
Utilities	**2,736,450**	2,901,156	**2,711,149**	2,885,761
Air traffic services (note 35)	**921,173**	921,466	**921,173**	921,466
Ground handling services	**1,581,795**	1,679,732	**1,581,795**	1,679,732
Provision of technical services (note 35)	**2,214,675**	1,945,277	**2,214,675**	1,945,277
Restricted areas security service	**1,860,000**	1,860,000	**1,860,000**	1,860,000
Passenger security service (note 35)	**1,201,879**	966,618	**1,201,879**	966,618
Other security services (note 35)	**106,027**	125,544	**51,872**	71,776
Cleaning	**1,008,447**	896,553	**945,977**	854,122
Legal and professional fees	**1,157,770**	907,072	**1,137,675**	889,132
Losses/(gains) of disposal of fixed assets	**(15,289)**	21,702	**(15,289)**	21,702
Net exchange differences	**(16,400)**	34,731	**(16,624)**	32,730
Operating lease charge (note 34)	**1,830,059**	1,739,778	**1,830,059**	1,739,778
Movements in provision for bad debts (note 21)	**7,338**	(103,746)	**13,338**	(103,593)
Bad debts (note 21)	**-**	107,095	**-**	107,095
Miscellaneous operating expenses	**2,956,369**	2,661,994	**2,865,524**	2,493,010
	24,944,368	23,041,520	**24,464,846**	22,582,182

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

	The Group		The Company	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Audit of the financial statements	**52,150**	38,000	**40,150**	27,500
Tax advisory services	**35,470**	19,470	**30,570**	15,458
Other assurance	**15,850**	-	**15,850**	
Non-audit services other than tax advisory services and assurance services	**17,294**	14,455	**17,294**	14,455

10. Key Management Personnel Compensation

	The Group		The Company	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Directors' compensation: *Short-term benefits:*				
Fees	**57,264**	57,323	**57,264**	57,323
Management remuneration	**415,294**	463,843	**415,294**	463,843
Social security costs	**2,352**	2,663	**2,352**	2,663
	474,910	523,829	**474,910**	523,829

In addition during the year under review the Company granted other benefits to its directors. The aggregate amount of benefits, which include monetary and non-monetary benefits, amounted to €79,266 (2015 – €99,548). 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 €15,752 (2015 – €14,190). These amounts are included with other operating expenses.

11. Staff Costs and Employee Information

	The Group		The Company	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Staff costs:				
Wages and salaries	**7,414,884**	7,280,630	**7,192,938**	7,065,985
Social security costs	**523,998**	515,295	**513,559**	506,791
Retirement benefit costs (notes 25 & 26)	**105,219**	123,343	**105,219**	123,343
Other retirement benefit and termination costs	**87,839**	362,100	**87,839**	362,100
	8,131,939	8,281,368	**7,899,555**	8,058,219

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

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

	The Group		The Company	
	2016 NUMBER	2015 NUMBER	2016 NUMBER	2015 NUMBER
Business development, operations and marketing	**175**	170	**165**	159
Finance, IT and information management	**18**	20	**18**	20
Firemen	**33**	35	**33**	35
Meteorological office	**14**	13	**14**	13
Technical and engineering	**64**	68	**64**	68
	304	306	**294**	295

12. Income Tax Expense

	The Group		The Company	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Current tax expense	**11,471,669**	10,660,596	**11,051,535**	10,924,379
Deferred tax	**(65,813)**	(142,043)	**4,279**	(57,712)
	11,405,856	10,518,553	**11,055,814**	10,866,667

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

	The Group		The Company	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Profit before tax	**32,387,483**	29,789,621	**31,410,572**	30,853,133
Tax at the applicable rate of 35%	**11,335,619**	10,426,367	**10,993,700**	10,798,597
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	**337,871**	336,850	**288,667**	284,139
Other net difference between accounting and tax deductible items of expenditure	**(3,859)**	(3,676)	**(3,859)**	(3,676)
Finance income subject to lower tax rates	**(204,516)**	(179,243)	**(204,618)**	(179,243)
Other differences	**(59,259)**	(61,745)	**(18,076)**	(33,150)
Income tax expense for the year	**11,405,856**	10,518,553	**11,055,814**	10,866,667

Deferred tax recognised in other comprehensive income is as follows:

	The Group		The Company	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Deferred tax credit on defined benefit pensions plans	**39,059**	191,101	**39,059**	191,101

13. Dividends

The net final dividend of €9,471,000 (€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 4 May 2016 and was paid on 19 May 2016. The net final dividend for 2014 of €10,824,000 (€8.0 cents per ordinary share) proposed by the directors during 2015 was paid on 8 June 2015.

On the 16 September 2016, a net interim dividend of €4,059,000 (€3.0 cents per share) (2015 – €4,059,000 (€3.0 cents per share)) was paid to ordinary shareholders of the Company. The directors propose that a net final dividend of €7.0 cents per ordinary share will be paid to ordinary shareholders in respect of the year ended 31 December 2016. 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 €9,471,000.

14. Property, Plant and Equipment

The Group	Land held on temporary emphyteusis EUR	Buildings EUR	Furniture, fixtures, plant and equipment EUR	Total EUR
Cost				
At 1 January 2015	42,033,473	64,135,968	85,029,906	191,199,347
Additions	-	1,544,639	5,358,833	6,903,472
Disposals	-	-	(55,759)	(55,759)
Write-offs	-	-	(33,410,897)	(33,410,897)
At 1 January 2016	42,033,473	65,680,607	56,922,083	164,636,163
Additions	-	351,791	6,933,312	7,285,103
Disposals	-	-	(55,953)	(55,953)
At 31 December 2016	42,033,473	66,032,398	63,799,442	171,865,313
Accumulated depreciation				
At 1 January 2015	8,029,474	23,274,976	63,452,959	94,757,409
Provision for the year	646,669	1,296,163	3,887,990	5,830,822
Eliminated on disposal	-	-	(25,556)	(25,556)
Wrife-offs	-	-	(33,410,897)	(33,410,897)
At 1 January 2016	8,676,143	24,571,139	33,904,496	67,151,778
Provision for the year	646,669	1,297,695	4,145,756	6,090,120
Eliminated on disposal	-	-	(46,442)	(46,442)
At 31 December 2016	9,322,812	25,868,834	38,003,810	73,195,456
Carrying amount				
At 31 December 2015	33,357,330	41,109,468	23,017,587	97,484,385
At 31 December 2016	**32,710,661**	**40,163,564**	**25,795,631**	**98,669,856**

No depreciation is being charged on assets not yet available for use amounting to €1,632,884 (2015 – €2,300,822). In addition, the cost of fully depreciated plant and equipment amounts to €18,315,576 (2015 – €15,974,053) for both the Group and the Company.

The Company	Land held on temporary emphyteusis EUR	Buildings EUR	Furniture, fixtures, plant and equipment EUR	Total EUR
Cost				
At 1 January 2015	42,033,473	64,135,968	84,162,177	190,331,618
Additions	-	1,544,639	5,339,370	6,884,009
Disposals	-	-	(55,759)	(55,759)
Write-offs	-	-	(33,410,897)	(33,410,897)
At 1 January 2016	42,033,473	65,680,607	56,034,891	163,748,971
Additions	-	351,791	6,923,921	7,275,712
Disposals	-	-	(55,953)	(55,953)
At 31 December 2016	42,033,473	66,032,398	62,902,859	170,968,730
Accumulated depreciation				
At 1 January 2015	8,029,474	23,274,976	63,090,520	94,394,970
Provision for the year	646,669	1,296,163	3,802,980	5,745,812
Eliminated on disposal	-	-	(25,556)	(25,556)
Wrife-offs	-	-	(33,410,897)	(33,410,897)
At 1 January 2016	8,676,143	24,571,139	33,457,047	66,704,329
Provision for the year	646,669	1,297,695	4,059,947	6,004,311
Eliminated on disposal	-	-	(46,442)	(46,442)
At 31 December 2016	9,322,812	25,868,834	37,470,552	72,662,198
Carrying amount				
At 31 December 2015	33,357,330	41,109,468	22,577,844	97,044,642
At 31 December 2016	**32,710,661**	**40,163,564**	**25,432,307**	**98,306,532**

No depreciation is being charged on assets not yet available for use amounting to €1,632,884 (2015 – €2,300,822).

15. Investment Property

The investment property relates to the business centre which was completed during prior years and 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	Investment Property EUR
Cost	
At 1 January 2015	20,466,624
Additions from subsequent expenditure	284,464
At 1 January 2016	20,751,088
Arising from subsequent expenditure	(125,727)
At 31 December 2016	20,625,361
Accumulated depreciation	
At 1 January 2015	1,824,353
Provision for the year	808,150
At 1 January 2016	2,632,503
Provision for the year	752,661
At 31 December 2016	3,385,164
Carrying amount	
At 31 December 2015	18,118,585
At 31 December 2016	**17,240,197**

During the year, direct operating expenses of €751,578 (2015 – €626,022), 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 €22 million at the balance sheet date.

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 2017 budget and long-term corporate planning.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Investment in Subsidiaries

The Company

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

	2016 EUR	2015 EUR
Shares in Airport Parking Limited	**1,200**	1,200
Shares in Sky Parks Development Limited	**2,001,200**	1,200
Shares in Sky Parks Business Centre Limited	**1,200**	1,200
Shares in Kirkop PV Farm Limited	**1,200**	1,200
Shares in Luqa PV Farm Limited	**-**	1,200
Shares in Gudja PV Farm Limited	**-**	1,200
Shares in Gudja Two PV Farm Limited	**-**	1,200
Shares in Gudja Three PV Farm Limited	**-**	1,200
	2,004,800	9,600

The Company holds a 100% (2015 – 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.

The Company holds a 100% (2015 – 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% (2015 – 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.

As disclosed in note (18), during the year under review, an amount of €2,000,000 previously included with loans and receivables due from Sky Parks Development Limited was capitalised within the cost of investment in subsidiaries since this amount became repayable exclusively at the discretion of the subsidiary.

The Company holds a 100% (2015 – 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. Luqa PV Farm Limited, Gudja PV Farm Limited, Gudja Two PV Farm Limited and Gudja Three PV Farm Limited were liquidated during the year. The principal place of business of the Company's subsidiaries is Malta.

16. Investment in Subsidiaries (CONTINUED)

The following table shows financial information for the consolidated subsidiaries

	2016 EUR	2015 EUR
Airport Parking Ltd		
Profit for the year	**352,264**	280,881
Share Capital	**1,200**	1,200
Retained earnings	**583,550**	231,286
Total Equity	**584,750**	232,486
Sky Parks Development Ltd		
Loss for the year	**(114,817)**	(257,452)
Share Capital	**1,200**	1,200
Accumulated Losses	**(1,660,013)**	(1,545,196)
Other Equity	**2,000,000**	-
Total Equity	**341,187**	(1,543,996)
Sky Parks Business Centre Ltd		
Profit/ (Loss) for the year	**383,410**	361,173
Share Capital	**1,200**	1,200
Retained earnings (Accumulated Losses)	**32,551**	(350,859)
Total Equity	**33,751**	(349,659)

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

17. Available-for-sale Financial Assets

The Group and the Company	Local unlisted Equity Shares	Fund	Total
	EUR	EUR	EUR
At 1 January 2015	1,090,391	93,763	1,184,154
Additions	88,000	-	88,000
Disposals	(1,178,391)	-	(1,178,391)
	-	93,763	93,763
Movements in fair value		6,567	6,567
At 31 December 2015	-	100,330	100,330
At 1 January 2016	-	100,330	100,330
Movements in fair value	-	3,318	3,318
At 31 December 2016	-	**103,648**	**103,648**

Available-for-sale financial asset -
Local unlisted equity shares

As per the Group's and the Company's accounting policy, investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured are measured at cost.
At 31 December 2014, the Company had a 10% shareholding interest in Valletta Cruise Port p.l.c., a company set up to develop the Valletta Waterfront and operate a cruise liner terminal at the Grand Harbour.

This instrument, which was measured at cost, was disposed of during 2015. At the date of derecognition, its carrying amount amounted to €1,178,391 and the gain on disposal amounted to €1,864,603 (note 7).

Available-for-sale financial asset - Fund

The Company holds an investment in a fund whose fair value is determined by prices quoted on the Malta Stock Exchange.

As at 31 December 2016, the Group and the Company held the following financial instruments measured at fair value:

	31.12.2016	Level 1	Level 2	Level 3
Assets measured at fair value	EUR	EUR	EUR	EUR
Fund	**103,648**	**103,648**	-	-

As at 31 December 2015 the Group and the Company held the following financial instruments measured at fair value:

	31.12.2015	Level 1	Level 2	Level 3
Assets measured at fair value	EUR	EUR	EUR	EUR
Fund	100,330	100,330	-	-

During the reporting periods ended 31 December 2016 and 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

18. Loans and Receivables

The Company	Loan to subsidiary EUR
Amortised cost	
At 31 December 2016	**4,600,000**
Less: Amount expected to be settled within 12 months (shown under current assets)	-
Amount expected to be settled after 12 months	**4,600,000**
At 31 December 2015	6,600,000
Less: Amount expected to be settled within 12 months (shown under current assets)	-
Amount expected to be settled after 12 months	6,600,000

The Company has granted an unsecured loan to one of its subsidiaries. This subsidiary will commence repaying the loan in 2030. At the reporting date, the loan incurred interest at a floating rate of 2.25% (2015 - 2.95%) per annum. The interest rate comprises a margin which is over and above the bank base rate.

The following table shows reconciliation from the opening to the close balances for the Loan to subsidiary.

The Company	Loan to subsidiary EUR
Carrying Amount at 31 December 2015	6,600,000
Capitalised within cost of investment in subsidaries (note 16)	2,000,000
Carrying Amount at 31 Decemeber 2016	**4,600,000**

19. Deferred Taxation

The Group	31.12.2014 EUR	Movement for the year EUR	31.12.2015 EUR	Movement for the year EUR	**31.12.2016 EUR**
Arising on:		*recognised in total comprehensive income:*		*recognised in total comprehensive income:*	
Accelerated tax depreciation	(406,645)	(268,878)	(675,523)	(386,986)	**(1,062,509)**
Provision for pension costs	1,134,513	130,653	1,265,166	61,392	**1,326,558**
Deferred income	2,003,859	(73,068)	1,930,791	(73,068)	**1,857,723**
Unabsorbed capital allowances	888,165	287,131	1,175,296	237,526	**1,412,822**
Ground rent payable	431,643	229,775	661,418	233,624	**895,042**
Other temporary differences	49,309	27,531	76,840	32,384	**109,224**
	4,100,844	333,144	4,433,988	104,872	**4,538,860**
		recognised in equity:		*recognised in equity:*	
Revaluation of properties on privatisation	(713,663)	26,193	(687,470)	26,193	**(661,277)**
Provision for pension costs	206,204	-	206,204	-	**206,204**
Total	3,593,385	359,337	3,952,722	131,065	**4,083,787**

The Company	31.12.2014 EUR	Movement for the year EUR	31.12.2015 EUR	Movement for the year EUR	**31.12.2016 EUR**
Arising on:		*recognised in total comprehensive income:*		*recognised in total comprehensive income:*	
Accelerated tax depreciation	401,921	(88,989)	312,932	(213,162)	**99,770**
Provision for pension costs	1,134,513	130,653	1,265,166	61,392	**1,326,558**
Deferred income	2,003,859	(73,068)	1,930,791	(73,068)	**1,857,723**
Ground rent payable	431,643	229,775	661,418	233,624	**895,042**
Other temporary differences	84,235	50,442	134,677	25,994	**160,671**
	4,056,171	248,813	4,304,984	34,780	**4,339,764**
		recognised in equity:		*recognised in equity:*	
Revaluation of properties on privatisation	(713,663)	26,193	(687,470)	26,193	**(661,277)**
Provision for pension costs	206,204	-	206,204	-	**206,204**
Total	3,548,712	275,006	3,823,718	60,973	**3,884,691**

The movement recognised in total comprehensive income during the current year for both the Group and the Company includes a deferred tax credit of €39,059 (2015 – €191,101) 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

	The Group		The Company	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Consumables	**834,443**	816,582	**834,443**	816,582

21. Trade and other receivables

	The Group		The Company	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Trade receivables	**9,378,226**	7,448,326	**8,799,652**	6,998,257
Other receivables	**1,028,700**	732,504	**606,813**	324,513
Receivables from other related parties	**3,311,261**	2,398,921	**3,311,261**	2,398,921
Prepayments and accrued income	**1,162,487**	1,218,133	**921,397**	955,505
	14,880,674	11,797,884	**13,863,884**	10,677,196

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.

The Group

As at 31 December 2016, trade receivables at nominal value of €135,789 (2015: €128,451) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	Individually Impaired EUR
At January 2015	232,197
Impairment loss	61,580
Reversal of impairment loss	(165,326)
At December 2015	128,451
Impairment loss	35,370
Reversal of impairment loss	(28,032)
At December 2016	**135,789**

The Company

As at 31 December 2016, trade receivables at nominal value of €85,229 (2015: €71,891) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	Individually Impaired EUR
At January 2015	175,484
Impairment loss	55,735
Reversal of impairment loss	(159,328)
At December 2015	71,891
Impairment loss	35,370
Reversal of impairment loss	(22,032)
At December 2016	**85,229**

Further to the above movements in the provision for impairment, no impairment loss for the Group and Company was recognised, during the year under review. (2015 impairment loss: €107,095).

21. Trade and other receivables (CONTINUED)

The Group

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due but not impaired			
	Total EUR	Neither past due nor impaired EUR	30-60 days EUR	60 days EUR	90 days EUR	>120 days EUR
2016	**12,689,487**	**6,516,020**	**4,277,170**	**890,939**	**859,321**	**146,035**
2015	9,847,247	4,951,078	3,814,964	696,234	384,971	-

The Company

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due but not impaired			
	Total EUR	Neither past due nor impaired EUR	30-60 days EUR	60 days EUR	90 days EUR	>120 days EUR
2016	**12,110,913**	**6,318,916**	**4,127,172**	**675,810**	**828,293**	160,722
2015	9,397,178	4,812,969	3,743,307	560,059	280,843	-

The Group does not hold any collateral over the past due but not impaired balances and has not provided for any allowance as these trade receivables are substantially companies with good track records with the Group and thus the amount is still considered recoverable.

22. Trade and other payables

	The Group		The Company	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Trade payables	**3,031,888**	3,421,118	**2,953,297**	3,166,491
Other payables	**4,037,813**	2,943,477	**3,815,208**	2,834,400
Payables due to related party	**365,595**	-	**365,595**	-
Payables due to subsidiaries	**-**	-	**263,059**	237,259
Accruals and deferred income	**22,061,036**	19,194,207	**21,440,368**	17,669,507
	29,496,332	25,558,802	**28,837,527**	23,907,657

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.

23. Bank Loans

	The Group		The Company	
	2016 EUR	2015 EUR	**2016 EUR**	2015 EUR
Current bank loans	**2,481,423**	25,750,157	**1,781,423**	25,075,157
Non-current bank loans	**43,866,560**	31,347,984	**31,291,524**	18,072,948

The Company has bank loans which will expire in 2026, and is secured by a general hypothec over all the Company's present and future assets, with the exception of terminal buildings and other sites. The loans are repayable in annual instalments. In November 2016, the Company re-negotiated the contract with the bank and at the reporting date, loan 1 and 3 incurred interest at 2.25% (floating interest rate) (2015 – 2.95%) per annum and loan 2 incurred interest at 2% (floating interest rate) per annum (2015 – 2.95%).

In terms of a netting contract entered into by the Company with the Bank, to the extent that the outstanding bank loans are covered by a corresponding cash position, the annual interest rate will be reduced by 1%.

In 2010 Sky Parks Development Limited was granted a bank loan amounting to €16 million which is repayable by 2030, and is 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. In November 2016 the Company re-negotiated the contract with the bank and at the reporting date, the incurred interest is 6% (fixed interest rate) in relation to outstanding bank loans of €11,462,500 (2015 – 6.5%) and 2.25% (floating interest rate) in relation to outstanding bank loans of €1,812,536 (2015 – 2.75%).

The Company had a bullet payment, amounting to €23,293,734, which was due for repayment on 19 April 2016. The amount of €8,293,734 was paid in November and a new bullet loan for €15,000,000 was re-negotiated which has to be repaid in 2026.

The maturity of the bank borrowings are disclosed in note 37.

24. Deferred Income

The Group	2015 EUR	Movement for the year Additions EUR	Amortisation EUR	**2016 EUR**
Deferred income arising from the gain on disposal of the buildings and fixtures	5,516,548	-	(208,765)	**5,307,783**
European Commission grant	483,081	-	(40,255)	**442,825**
Norwegian grant	155,284	-	(51,761)	**103,523**
Government grant	49,953	-	(9,991)	**39,962**
Deposit received from tenant	84,506	-	-	**84,506**
Total deferred income as at 31 December	6,289,372	-	(310,772)	**5,978,599**
Less: amounts included in trade and other payables (note 22)	(310,772)			**(310,772)**
Amounts included in non-current liabilities	5,978,600			**5,667,827**

24. Deferred Income (CONTINUED)

The Group	2014 EUR	Movement for the year Additions EUR	Amortisation EUR	2015 EUR
Deferred income arising from the gain on disposal of the buildings and fixtures	5,725,313	-	(208,765)	5,516,548
European Commission grant	523,336	-	(40,255)	483,081
Norwegian grant	207,045	-	(51,761)	155,284
Government grant	59,944	-	(9,991)	49,953
Deposit received from tenant	22,623	61,883	-	84,506
Total deferred income as at 31 December	6,538,261	61,883	(310,772)	6,289,372
Less: amounts included in trade and other payables (note 22)	(310,772)			(310,772)
Amounts included in non-current liabilities	6,227,489			5,978,600

The Company	2015 EUR	Movement for the year Amortisation EUR	**2016 EUR**
Deferred income arising from the gain on disposal of the buildings and fixtures	5,516,548	(208,765)	**5,307,783**
European Commission grant	483,081	(40,255)	**442,826**
Norwegian grant	155,284	(51,761)	**103,523**
Government grant	49,953	(9,991)	**39,962**
Total deferred income as at 31 December	6,204,866	(310,772)	**5,894,094**
Less: amounts included in trade and other payables (note 22)	(310,772)		**(310,772)**
Amounts included in non-current liabilities	5,894,094		**5,583,322**

The Company	2014 EUR	Movement for the year Amortisation EUR	2015 EUR
Deferred income arising from the gain on disposal of the buildings and fixtures	5,725,313	(208,765)	5,516,548
European Commission grant	523,336	(40,255)	483,081
Norwegian grant	207,045	(51,761)	155,284
Government grant	59,944	(9,991)	49,953
Total deferred income as at 31 December	6,515,638	(310,772)	6,204,866
Less: amounts included in trade and other payables (note 22)	(310,772)		(310,772)
Amounts included in non-current liabilities	6,204,866		5,894,094

The 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 being taken to income in accordance with the accounting policy stated in note 2.2.

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 retirement benefit plan

	The Group		The Company	
	2016 EUR	2015 EUR	**2016 EUR**	2015 EUR
Non-current provision for retirement benefit plan	**4,365,940**	4,192,969	**4,365,940**	4,192,969

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 2 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 movement in the provision for retirement benefit plan may be analysed as follows:

	2016 EUR	2015 EUR
Present value of the provision for retirement benefits at 1 January	**4,192,969**	3,828,974
Payments effected	**-**	(258,105)
Charge for the year *(recognised in staff costs)*	**63,810**	85,397
thereof Service costs	***51,048***	*50,384*
thereof Interest costs	***12,762***	*35,013*
Actuarial gains and losses resulting from changes in financial assumptions, gross of deferred tax *(recognised in other comprehensive income)*	**109,162**	536,703
Present value of the provision for retirement benefits at 31 December	**4,365,940**	4,192,969

The year-end obligation includes €3,646,963 (2015 – €3,410,532) 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:

	Group and Company	
	2016	2015
Discount rate(s)	**1.6%**	2.0%
Mortality rate(s)		
Males	**79**	79
Females	**83**	83

The sensitivity analyses below are in connection with each 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 100 basis points higher (lower) with all other assumptions held constant, the defined benefit obligation decreases by €263,060 (increases by €298,448) (2015 – decreases by €273,016 (increases by €310,373)).
- If the life expectancy increases (decreases) by two years for both men and women with all other assumptions held constant, the defined benefit obligation increases by €407,929 (decreases by €386,353) (2015 – increases by €381,423 (decreases by €396,659)).

The weighted average duration of the defined benefit obligation at 31 December 2016 is 21 years (2015 – 22 years) in relation to employees that are still employed by the Company and 14 years (2015 – 14 years) in relation to retired employees.

26. Provision for MIA benefit plan

	The Group		The Company	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Provision for MIA benefit plan	**223,936**	210,890	**223,936**	210,890

The provision for MIA benefit plan is funded 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 2 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 Maltese government bonds after considering the probability that employees reach the applicable retirement age when they are still in employment with the Company.

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

	The Group & the Company	
	2016 EUR	2015 EUR
Present value of the provision for MIA benefit plan at 1 January	**210,890**	163,645
Payments effected	**(30,800)**	-
Charge for the year *(recognised in staff costs)*	**41,410**	37,946
Actuarial gains and losses resulting from changes in financial assumptions, gross of deferred tax *(recognised in other comprehensive income)*	**2,436**	9,299
Present value of the provision for MIA benefit plan at 31 December	**223,936**	210,890

27. Share Capital

	As at 31.12.2016 & 31.12.2015	
The Company	**Authorised EUR**	**Issued and called up EUR**
111,809,746 "A" ordinary shares of EUR0.25 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 EUR0.25 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 EUR0.25 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 2016 were the following:

Malta Mediterranean Link Consortium Limited (of which VIE (Malta) Limited constitutes 57.1% and MMLC Holdings Malta Limited (*formerly* SNC Lavalin (Malta) Ltd) constitutes 38.75%)	40.0%	'B' shares
Government of Malta	20.0%	'A' and 'C' shares
VIE (Malta) Limited	10.1%	'A' shares

Shareholder range	Number of holders at 24.01.2017	Number of holders at 16.09.2016	Movement in holders increase /(decrease)
1 – 500 shares	340	323	17
501 – 1,000 shares	707	707	-
1,001 – 5,000 shares	3.748	3.742	6
5,001 and over	1.639	1.643	-4
	6.434	**6.415**	**19**

28. Reserves

Other Reserve
The other reserve emanates from the revaluation of the Company's buildings in connection with the privatisation of the Company in 2002 and represents unrealised amounts.

Fair Value Reserve
The fair value reserve originates from movements in fair values of available-for-sale financial assets and represents unrealised amounts.

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	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Cash at bank and in hand	**36,550,212**	39,644,210	**35,500,917**	38,577,611

Cash at bank earns interest based on daily bank deposit rates.

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	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Profit for the year attributable to the ordinary equity holders of the Company	**20,981,627**	19,271,068	**20,354,759**	19,986,466
Weighted average number of shares	**135,299,990**	135,299,990	**135,299,990**	135,299,990
Earnings per share (cents) attributable to the ordinary equity holders of the Company	**15.51**	14.24	**15.04**	14.77

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	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Property, plant and equipment				
Contracted but not provided for	**5,304,711**	2,323,983	**5,304,711**	2,323,983
Authorised but not contracted for	**10,929,201**	7,510,417	**10,929,201**	7,442,917

32. Contingent liabilities

At reporting date, there existed:

(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 dispute with the Government of Malta which arose in 2005 and which could result in a claim. The Government estimates the value of the claim as at 31 December 2014 to be approximately €2.8 million.

The above contingent liabilities have all been claimed against the Company. In the directors' opinion, all the above claims 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:

	31.12.2016			31.12.2015		
The Group	Related party activity EUR	Total activity EUR	%	Related party activity EUR	Total activity EUR	%
Revenue:						
Related party transactions with:						
Entities which are controlled by Government	**18,175,915**			19,808,029		
Entities which control the Company's parent	**3,378**			2,803		
	18,179,293	**73,064,828**	**25**	19,810,832	66,965,843	30
Other operating costs:						
Related party transactions with:						
Key management personnel of the Group (note 10)	**569,928**			737,567		
Related parties other than the parent and key management personnel of the Group	**3,660,177**			4,278,517		
	4,230,105	**33,076,307**	**13**	5,016,084	31,322,888	16

	31.12.2016			31.12.2015		
The Company	Related party activity EUR	Total activity EUR	%	Related party activity EUR	Total activity EUR	%
Revenue:						
Related party transactions with:						
Entities which are controlled by Government	**17,850,030**			19,359,506		
Subsidiary	**2,098,850**			2,077,656		
Entities which control the Company's parent	**3,378**			2,803		
	19,952,258	**69,553,500**	**29**	21,439,965	63,689,590	34
Other operating costs:						
Related party transactions with:						
Key management personnel of the Company (note 10)	**569,928**			737,567		
Related parties other than the parent and key management personnel of the Company	**3,660,177**			4,278,517		
	4,230,105	**32,364,401**	**13**	5,016,084	30,640,401	16

The Company has earned interest income amounting to €140,728 (2015 – €192,612) on the loan granted to a subsidiary. The Company received a dividend from one of its subsidiaries amounting to €1,692,308 in 2015.

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 €1,944,397 (2015: €2,219,574) in connection with entities controlled by Government and €1,715,780 (2015: €2,058,943) 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 2016 with its substantial shareholders and their related parties are disclosed in note 35.

Property, plant and equipment includes 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 by equal annual instalments. Details in connection with the operating lease expense are given in note 34.

34. Operating Lease Arrangements

	The Group		The Company	
The Group and the Company as lessee	**2016 EUR**	2015 EUR	**2016 EUR**	2015 EUR
Minimum lease payments under operating lease recognised as an expense for the year	**1,830,059**	1,739,778	**1,830,059**	1,739,778

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

	The Group		The Company	
	2016 EUR	2015 EUR	**2016 EUR**	2015 EUR
Within one year	**1,144,809**	1,006,182	**1,144,809**	1,006,182
In the second to fifth years inclusive	**4,603,837**	4,591,536	**4,603,837**	4,591,536
After five years	**110,970,238**	112,127,347	**110,970,238**	112,127,347
	116,718,884	117,725,065	**116,718,884**	117,725,065

Operating lease payments represent ground rents payable by the Company to the Government of Malta on the temporary emphyteuses, with no renewal option included in the contracts. The term of the leases of 65 years and the lease payments are adjusted upwards periodically by a specified rate. The lease expense 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.

	The Group		The Company	
The Group and the Company as lessor	**2016 EUR**	2015 EUR	**2016 EUR**	2015 EUR
Minimum lease payments under operating lease recognised as income for the year	**3,460,792**	3,272,843	**935,191**	932,843

At the date of the Statement of Financial Position, the Company and the Group had non-cancellable operating lease receivables as follows:

	The Group		The Company	
	2016 EUR	2015 EUR	**2016 EUR**	2015 EUR
Within one year	**3,268,965**	2,642,672	**783,189**	771,155
In the second to fifth years inclusive	**11,481,658**	9,924,135	**3,204,912**	3,180,860
After five years	**19,653,113**	20,714,434	**15,720,185**	16,527,426
	34,403,736	33,281,241	**19,708,286**	20,479,441

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 range between 30 and 32 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 2 years to 12 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 above includes an amount of €2,569,571 (2015 – €2,428,480) 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 €9,667,607 (2015 – €9,058,645).

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 €8,988,109 (2015 – € 8,795,463).

35. Material Contracts

The material contracts entered into by the Company in the year ended 31 December 2016 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 €2,214,675 (2015 – €1,945,277).

The Government of Malta

(i) The terminal and other land lease agreements with the Lands Department for €1,006,182 (2015 – €1,006,182);
(ii) The contract for contribution to the Malta Tourism Authority for €232,937 (2015 – €232,937);
(iii) The contract with the Armed Forces of Malta for the security of the restricted areas at the Airport for an expense of €1,860,000 (2015 – € 1,860,000);
(iv) The provision of Air Navigation Services and other services by Malta Air Traffic Services Limited for an expense of €921,173 (2015 – €921,466);
(v) The provision of Meteorological Services and other services to Malta Air Traffic Services Limited for revenue of €736,938 (2015 – €736,938);
(vi) The contract with Enemalta Corporation for fuel throughput charges generated the amount of €402,933 (2015 – €375,619) in revenue;
(vii) Licence Fee payable to the Government of Malta for the airport operation amounting €496,157 (2015 – €496,157)

The ground handling and concession agreements with Air Malta p.l.c. and its subsidiaries that generated income of €1,635,420 (2015 – €1,785,869).

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. The consolidated financial statements of the Group are incorporated in the Group financial statements of Malta Mediterranean Link Consortium Limited. 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 increased 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 2016 and 2015 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, comprising trade and other receivables, cash and trade and other payables, 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 certain bank loans and loans and receivables are not materially different from their carrying amounts because they carry an arm's length interest rate that is repriced periodically.

The fair value of the Group's bank loan that carries a fixed coupon of 6% amounted to €14.8 million (2015 – €15.9 million) at the end of the reporting period. This fair value is determined using a discounted present value technique applying a yield curve applicable to the respective remaining term and the applicable credit spread.

The fair value of available for sale instruments is disclosed in note 17.

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

		Fair value measurement at the end of the reporting period using		
The Group	31.12.2016 Carrying amount EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
Financial liabilities				
Financial liabilities at amortised cost:				
Bank loans	**46,347,983**	**-**	**49,739,357**	**-**

		Fair value measurement at the end of the reporting period using		
	31.12.2015 Carrying amount EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
Financial liabilities				
Financial liabilities at amortised cost:				
Bank loans	57,098,141	-	60,819,198	-

		Fair value measurement at the end of the reporting period using		
The Company	31.12.2016 Carrying amount EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
Financial liabilities				
Financial liabilities at amortised cost:				
Loan to subsidiary	**4,600,000**	**-**	**4,556,377**	**-**
Financial liabilities				
Financial liabilities at amortised cost:				
Bank loans	**33,072,947**	**-**	**33,072,948**	**-**

		Fair value measurement at the end of the reporting period using		
	31.12.2015 Carrying amount EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
Financial liabilities				
Financial liabilities at amortised cost:				
Loan to subsidiary	6,600,000	-	6,600,000	-
Financial liabilities				
Financial liabilities at amortised cost:				
Bank loans	43,148,105	-	43,148,105	-

38. Financial risk management

The Group's and the Company's principal financial liabilities comprise bank loans and trade payables. The principal financial assets of the Group and the Company (other than investments in subsidiaries) are trade receivables, loans and receivables, available-for-sale financial assets and cash and short-term deposits.

The principal financial instruments (other than investments in subsidiaries) are classified into the following categories:

	The Group		The Company	
	2016 EUR	2015 EUR	**2016 EUR**	2015 EUR
Available-for-sale financial assets	**103,648**	100,330	**103,648**	100,330
Loans and receivables	**-**	-	**4,600,000**	6,600,000
Trade receivables & cash and cash equivalents	**49,239,699**	49,491,457	**47,611,830**	47,974,789
Financial liabilities at amortised cost	**69,622,341**	78,040,786	**56,150,952**	62,664,945
Net gains /(losses) arising from these financial instruments are classified as follows:				
Recorded in the statement of comprehensive income:				
Available-for-sale financial assets	**-**	1,864,603	**-**	1,864,603
Loans and receivables	**-**	-	**140,728**	192,612
Trade and other receivables	**7,338**	3,349	**13,338**	3,502
Cash and cash equivalents	**1,023,081**	896,214	**1,023,081**	896,214
Financial liabilities at amortised cost	**(1,990,102)**	(2,183,944)	**(1,146,790)**	(1,304,746)
Recorded in other comprehensive income:				
Available for sale financial assets	**3,318**	6,567	**3,318**	6,567

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 has taken out bank facilities to finance its operations as disclosed in note 23 and has cash at bank balances as disclosed in note 29. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The company has also granted an interest-bearing loan to a subsidiary as disclosed in note 18. The Group and Company exposed to cash flow interest rate risk on cash deposits, loans and receivables and bank borrowings 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.

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/ decrease in basis points	Effect on Group profit before tax EUR	Effect on Company profit before tax EUR
2016	**+25** **-25**	**(24,494)** **24,494**	**17,570** **(17,570)**
2015	+25 -25	(43,635) 43,635	5,074 (5,074)

The effect on profit takes into consideration both interest payable and interest receivable based on the subsidiary and bank loans and cash and short-term deposits as disclosed in notes 18, 23 and 29 respectively.

Credit risk

Financial assets which potentially subject the Group and the Company to concentrations of credit risk, consist principally of available-for-sale financial assets, receivables and cash, short-term deposits held at bank and a loan granted to a subsidiary. Receivables are presented net of an allowance for doubtful debts. The maximum exposure to credit risk is the carrying amounts of each class of asset as disclosed in notes 17,18, 21 and 29 respectively. As disclosed in note 23 the Company has also granted security over its subsidiary's bank loan.

An allowance for provision for impairment of trade receivables is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to trade 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. Available-for-sale financial assets are acquired after assessing the quality of the relevant available-for-sale financial asset. Cash and short term deposits held at bank is placed with reliable financial institutions which are currently rated BBB+ (2015 – BBB+) by the international rating agency Fitch. Management considers the quality of its financial assets as being acceptable. The credit risk in connection with the Company's loan receivable from the subsidiary is contained within the group.

The single customer of the Group, Air Malta p.l.c., which is currently going through a restructuring process, accounts for €3.3 million (2015 – €2.5 million) of the Group's trade and other receivables at year end and 33% (2015 – 29.6%) of the Group's revenue (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 €4.2 million (2015 – €4.5 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.

Liquidity risk

The tables below summarise the maturity profile of the Group's and Company's financial liabilities at 31 December 2015 and 2016 based on contractual undiscounted payments. In the tables below, 'Current' refers to invoices issued close to year end, and which were within the credit period of 30 days given to the Group and the Company.

The Group **31 December 2016**	Carrying Amount	Gross Cash Flows	<1 Year	1–5 Years	>5 Years
Interest bearing bank borrowings	46,347,984	56,715,072	3,818,949	14,888,934	38,007,190
Other payables	4,037,813	4,037,813	4,037,813	-	-
Accruals	20,242,469	20,242,469	20,242,469	-	-
Trade payables	3,031,888	3,031,888	3,031,888	-	-
	73,660,154	**84,027,242**	**31,131,119**	**14,888,934**	**38,007,190**

31 December 2015	Carrying Amount	Gross Cash Flows	<1 Year	1–5 Years	>5 Years
Interest bearing bank borrowings	57,098,141	67,500,751	27,333,224	14,557,289	25,610,237
Other payables	2,943,477	2,943,477	2,943,477	-	-
Accruals	17,521,527	17,521,527	17,521,527	-	-
Trade payables	3,421,118	3,421,118	3,421,118	-	-
	80,984,263	91,386,873	51,219,346	14,557,289	25,610,237

The Company 31 December 2016	Carrying Amount	Gross Cash Flows	<1 Year	1–5 Years	>5 Years
Interest bearing bank borrowings	33,072,947	37,721,867	2,400,176	9,432,249	25,889,442
Other payables	3,815,208	3,815,208	3,815,208	-	-
Accruals	19,862,488	19,862,488	19,862,488	-	-
Trade payables	2,953,297	2,953,297	2,953,297	-	-
	59,703,940	**64,352,860**	**29,031,169**	**9,432,249**	**25,889,442**

31 December 2015	Carrying Amount	Gross Cash Flows	<1 Year	1-5 Years	>5 Years
Interest bearing bank borrowings	43,148,105	46,477,018	25,829,963	8,785,641	11,861,415
Other payables	2,834,400	2,834,400	2,834,400	-	-
Accruals	16,113,090	16,113,090	16,113,090	-	-
Trade payables	3,166,491	3,166,491	3,166,491	-	-
	65,262,086	68,590,999	47,943,944	8,785,641	11,861,415

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
38. Financial risk management (CONTINUED)

The Group monitors and manages its risk to a shortage of funds by monitoring forecast and actual cash flows. The Company has additional undrawn bank facilities of €2.5 million (2015 – €2.5 million) earmarked for capital expenditure projects and €4.7 million (2015 – €4.7 million) overdraft facilities. The Group renewed the bullet loan which was due in 2016, as further disclosed in note 23.

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 2016 and 31 December 2015.

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. The Group's and Company's policy in managing capital has remained unchanged from the prior year.

39. Events after the reporting period

General

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 2016 – 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.

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 93 to 139, which comprise the statements of financial position of the Company and the Group as at 31 December 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows 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 Malta International Airport p.l.c. and its Group as at 31 December 2016, and of the Company's and its 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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.

Applicability of IFRIC 12 - Service Concession Arrangements

IFRIC 12 - Service Concession Arrangements (IFRIC 12) clarifies the accounting treatment for service concession arrangements by private sector operators that provide public services on behalf of government or other public sector entities. This Interpretation would require a reporting entity to recognise its concession agreement in its accounting records as a financial asset and/or as an intangible asset, and infrastructure assets would not be recognised as property, plant and equipment of the operator. Resulting changes to the classification and measurement of elements of the financial statements would be pervasive.

The business activities of the Company and the Group (together, MIA) are governed by a 65-year concession agreement which was granted by the Maltese Government in July 2002. The considerations surrounding the applicability of IFRIC 12 to this concession agreement require the application of significant judgement. Based on MIA's proportion of regulated and unregulated activities, the directors have determined that the extent of unregulated business activities cannot be deemed as insignificant, and accordingly MIA continues to fall outside the scope of IFRIC 12.

Our audit response to address the risk of material misstatement relating to the use of inappropriate accounting policies consisted in making use of IFRS specialists to assess whether the methodology and assumptions applied by MIA in respect of IFRIC 12, including computations of the extent of unregulated business activities, continues to be appropriate. The adequacy of MIA's disclosures in the financial statements was also considered.

MIA's disclosures on the significant judgement surrounding the applicability of IFRIC 12 to MIA's financial statements are set out in note [3] 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. This amounted to €1,711,405 during the year ended 31 December 2016 and is material to the financial statements. MIA has lease payments payable 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 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. We also reviewed the adequacy of the disclosures in the financial statements.

MIA's disclosures on this matter are set out in note [34] to the financial statements. Furthermore as noted in note [4] to the financial statements the forthcoming applicability of IFRS 16 - Leases will result in the elimination of the distinction between finance and operating leases for lessees and will bring most leases on-balance sheet, thus requiring a substantial review of MIA's current accounting policies for emphyteutical lease payments.

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, the Traffic report, the Retail and property report, and supporting key data, strategy, governance and employee, airport operations, sustainability, risk management 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 separate 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).

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 misstatemernt 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 2 to 12, 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 financial statements are prepared is consistent with the 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 and its 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 13, the directors are responsible for the preparation and fair presentation of the financial statements 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.

As part of an audit in accordance with ISAs, we exercise professional judgement 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's 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 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 Corporate Governance Statement of Compliance

Report on other Legal and Regulatory Requirements

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 83 to 92 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 (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.

The engagement director on the audit resulting in this independent auditor's report is Bernard Scicluna.

Bernard Scicluna as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Mrieħel, Malta

22 February 2017