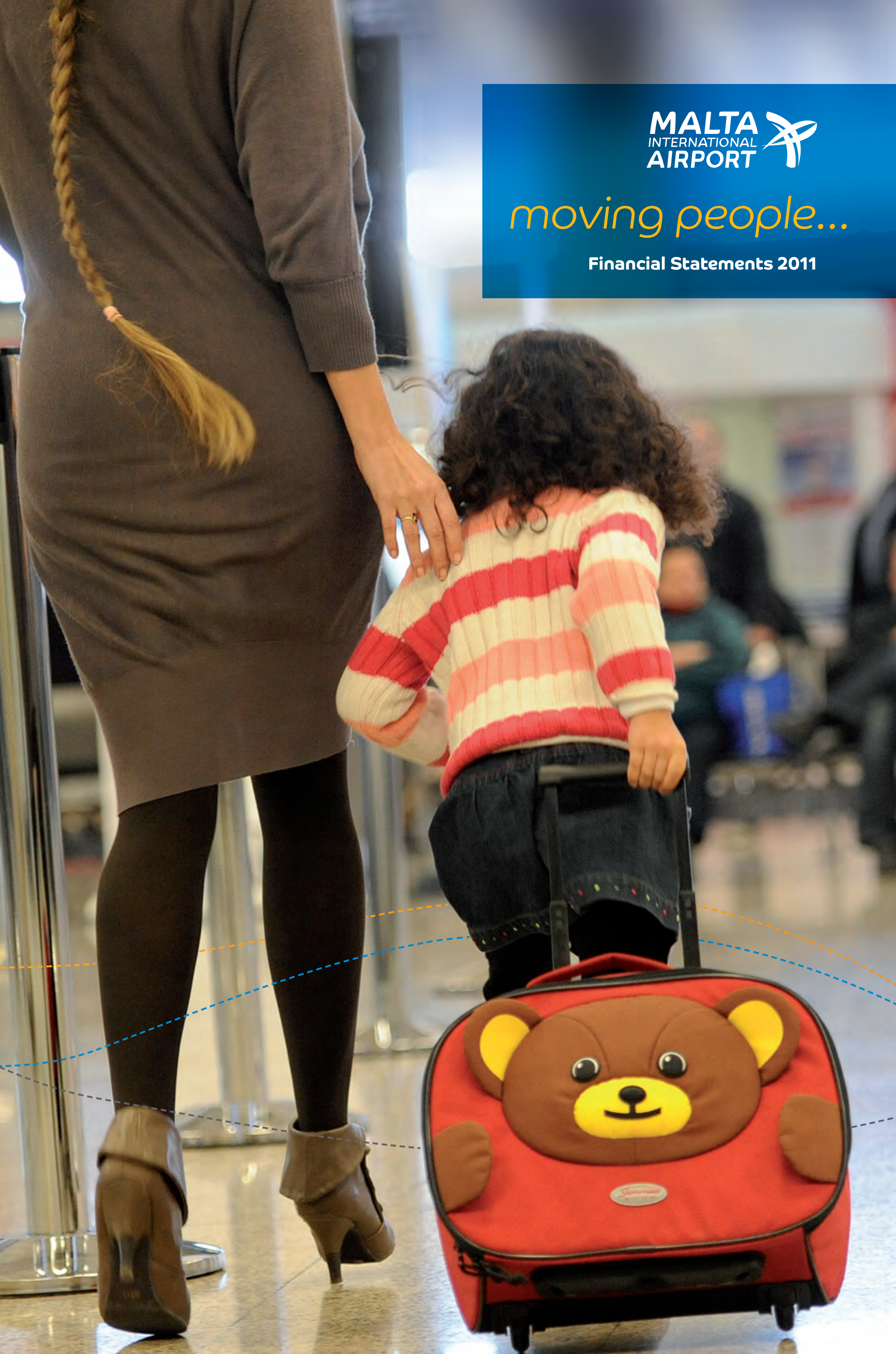
MALTA INTERNATIONAL AIRPORT

moving people...

Financial Statements 2011



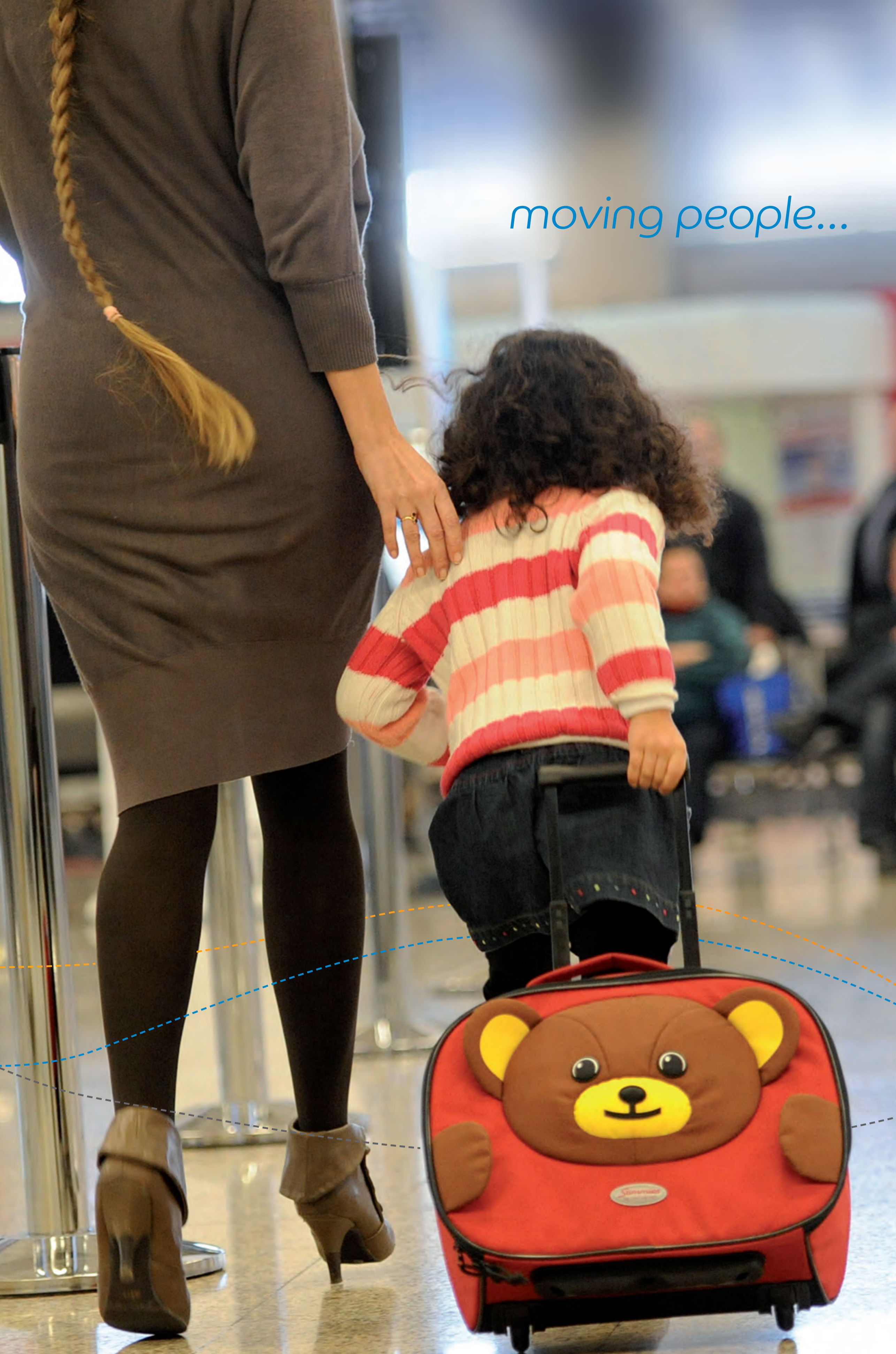
MALTA INTERNATIONAL AIRPORT

20 YEARS
AIR TERMINAL
OUR GATEWAY TO THE WORLD

WINNER 2011 ASQ
AIRPORTS COUNCIL INTERNATIONAL
Best Airport in Europe
for two successive years

VISION

Our commitment to service quality, remarkable efficiency and outstanding facilities make MIA a top airport in its class and a dynamic link to the world.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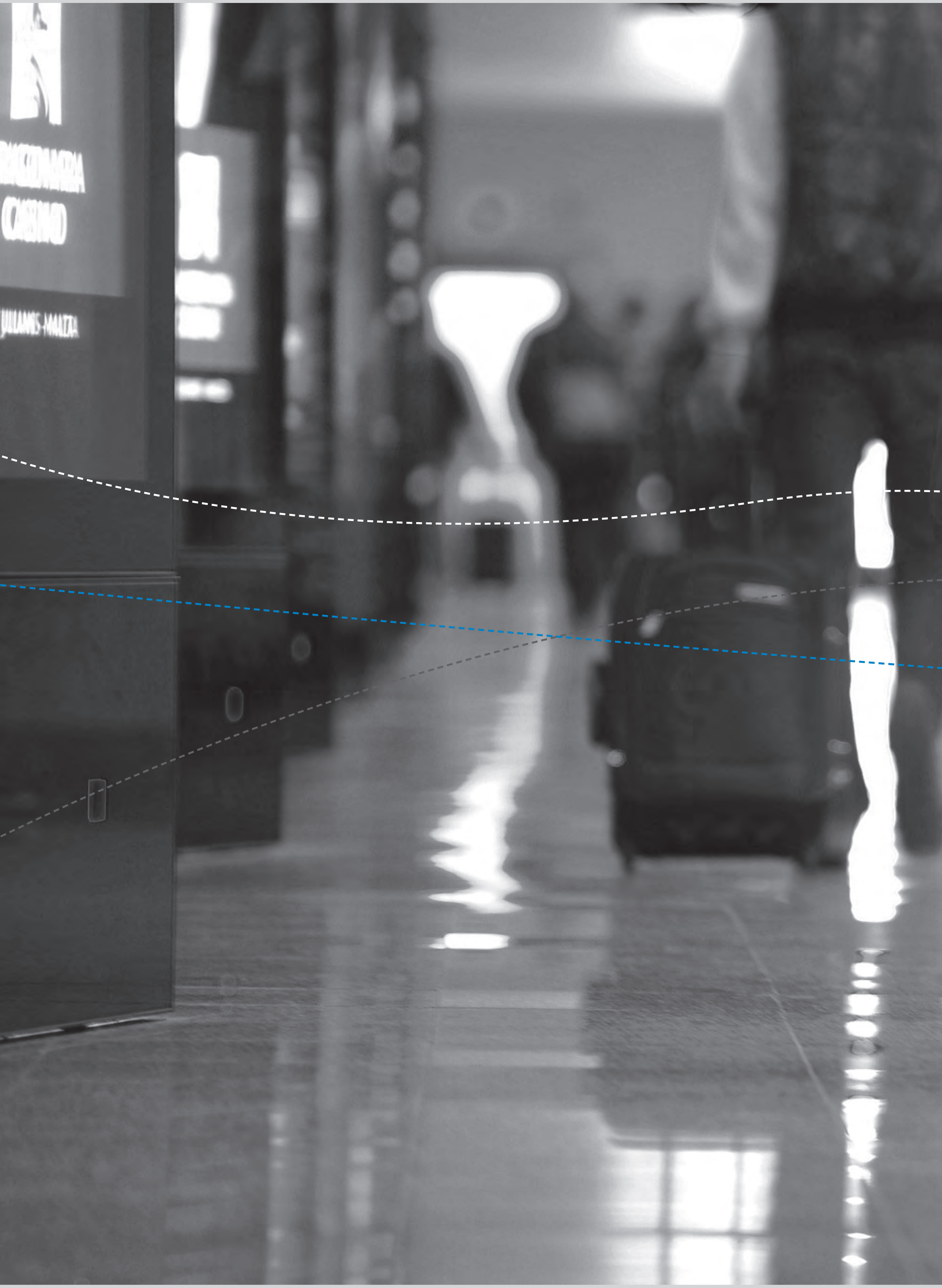
Content


CASINO
MALTA

FINANCIAL STATEMENTS

General Information

Directors:	Andreas Schadenhofer	(Chairman)
	Jackie Camilleri	(Deputy Chairman)
	Markus Klaushofer	(Chief Executive Officer)
	Austin Calleja	(Chief Financial Officer)
	Michael Bianchi	
	Youssef Sabeh	
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, Mriehel Bypass, Mriehel, Malta.	
Principal bankers:	Bank of Valletta p.l.c. Corporate Centre, Canon Road, Santa Venera, Malta.	
Legal advisors:	Camilleri Preziosi Advocates, Level 2 - Valletta Buildings, South Street, Valletta, Malta.	

Directors' report

Year ended 31 December 2011

The directors present their report together with the audited financial statements for the year ended 31 December 2011.

Principal activities

The company's principal activities are the development, operation and management of Malta International Airport. Malta International Airport plc has a 65 year concession to operate Malta's airport, a concession with commenced in July 2002. On 11 February 2008, Malta International Airport plc set up a 100% subsidiary, Sky Parks Limited to take over and operate the car parks of the airport. This later changed its name to Airport Parking Limited.

Another subsidiary, Sky Parks Development Limited was set up on the 29th October 2009 to build and operate the new Business Centre currently under construction near the Air Terminal. Malta International Airport plc has also a 10% shareholding interest in Valletta Cruise Port plc (formerly VISET Malta plc), a company set up to develop the Valletta Waterfront and operate a cruise liner terminal in Grand Harbour.

Performance review

Traffic

Passenger traffic at Malta International Airport increased by 6.5% over the record year figures of 2010. This achievement is more significant when one takes into consideration that the number of aircraft movements in 2011 was 3.2% less than in 2010 and that the total number of seats available was 0.9% less than 2010. Cargo figures were less than prior year by 4.0%.

Financial Results

As a result of this increase in passenger traffic, revenue of the Group increased from €51.34 million to €52.43 million. The revenue from the Aviation sector increased from €38.39 million to €39.20 million whilst the Retail and Property sector increased from €12.46 million to €12.62 million.

The Earnings before Interest, Taxation Depreciation and Amortization (EBITDA) of the Group increased by 6.72%; from €23.23 million to €24.79 million and the EBITDA margin increased from 45.25% to 47.28%. There was also a significant increase in profit before tax. Profit increased from €16.97 million to €18.92 million, an increase of 11.5%. Consequently, the net profit of the Group also increased from €10.69 to €11.91 million.

These results reflect the increased volume of traffic mentioned earlier but they also highlight the fact that the Group has a strong fixed cost base whereby any increase in revenue has a significant increase on the bottom line.

Revenues

Revenues from the airport segment constitute 74.7% of the total revenues of the Group. Aviation revenues remain the most important income stream of the Group notwithstanding the fact that the aviation charges to carriers have not changed since 2007.

The retail and property segment increased by 1.28%; from €12.46 million to €12.62 million. This sector suffered from loss of revenue due to the lack of flights to and from Libya during most of 2011. The revenues from retail and properties segment constitute 24.1% of the total revenue of the Group.

Operating Costs

In general the operating costs of the Group were maintained at the 2010 level. Utility rates have remained stable and the Group managed to reduce marginally the utility cost for 2011 over that of 2010. There were also reductions in costs related to maintenance of building and fixed assets and in security.

Staff costs also decreased by 10.5% or €0.94 million mostly as a result of early retirement schemes initiated in previous years. However, a new retirement scheme was initiated in 2011 costing approximately €1 million, which charge is not classified as staff costs but forms part of the other operating expenses.

On the other hand there were significant increases in marketing costs which reflect the general trend of the aviation industry. In 2011, marketing costs went up from €1.96 million to €2.53 million. This shows the commitment the Group has towards attracting more traffic to Malta. We expect these costs to increase over the next financial years.

As regards non-operating costs and revenues, there were no significant changes in the depreciation charge, but there was an increase of €0.28 million in financial income.

Investments made during the year

The Group concentrated its major investment efforts in the completion of the Skyparks Business Centre building. A total of €6.78 million was spent on this project during 2011, which together with the €2.84 million spent in 2010 brings the total investment in this building at 31 December 2011 to €9.61 million. It is estimated that the building will be open for business in the second quarter of 2012 and would require a further €8 million in investment to completion.

Outlook

The record number of passenger movements in 2010 of 3.29 million was exceeded in 2011, an increase to 3.50 million. At best, the Group was expecting the volume of traffic to be largely the same, however, a number of positive outcomes during the year have contributed to increase the traffic figures beyond our expectations. The unrest in North Africa has cost us some traffic to and from Tunisia and Libya but at the same time the airport experienced a significant volume of traffic from the exodus of expatriate workers from Libya. There was also the significant improvement in the load factors of most carriers especially the home carrier, Air Malta which, without increasing the aircraft traffic movements contributed to the increase in passenger movements.

The travel and tourism industry remain however, a very volatile industry. The economic and financial situation in the major markets has a direct effect on the performance of tourism in Malta and the results of Malta International Airport plc. International tourism organisations forecast continued growth in 2012, although at a slower rate. On the other hand, ACI Europe, the European Airports Association, has been quoted as

Outlook (continued)

saying that "the odds are that 2012 will be a different story. Economies have come to a stand-still in many parts of Europe with the sovereign debt crisis, which is also having a ripple effect on growth prospects elsewhere. This will affect demand for air transport."

This is confirmed by the European Commission in its economic forecast for 2012, when it says that no economic growth is expected and that "GDP is forecast to grow at a rate of only 0.5% in the EU and the Euro area in 2012."

It is in this context that whilst expressing satisfaction at the results achieved in 2011, the Group remains cautious on the outcome of 2012 and is forecasting that passenger numbers for 2012 will be less than those achieved in 2011.

The forecast for 2012 is being based on various considerations, first amongst which is the European economic crisis which is expected to lessen demand for travel and will adversely affect Malta Airport's core markets – United Kingdom, Italy, Germany, France and Spain. The Group experienced a decrease in traffic in the first three months, whereas in the Summer Schedule it is expecting a consolidation of last year's results.

As already mentioned, during 2012, the Group will see the inauguration of the SkyParks Business Centre as a milestone in the efforts of the Group to diversify its strategy of increasing the contribution of the Retail and Property segment to the Group's overall turnover. The completion of the building has suffered some delays in the construction phase due to bad weather and other factors and is six to eight months behind schedule. However, this project is expected to contribute to the results of the Group by the end of the second quarter 2012.

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

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 general meeting pursuant to the articles of association.

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

In terms of the articles of association the CEO of the Company shall occupy one of the executive director positions. The other executive directors to be co-opted to the board are the Chief Finance Officer and the Chief Commercial Officer. The office of Chief Commercial Officer of the Company is currently vacant.

Powers of Directors

The directors of the Company have all the powers necessary to manage and direct the Company. The Company is empowered to buy-back any of its shares, subject to the limitations and restrictions at law and the listing rules.

Directors' Report
(continued)

Powers of Directors *(continued)*

Subject to the authority of shareholders, to be given at five (5) year intervals, the directors are also empowered to issue further shares in the Company.

Financial Result and dividends

The financial result of the Group and the Company for year ended 31 December 2011 are shown in the statement of comprehensive income on page twenty. The profit of the Group for the year after taxation amounted to €11,909,430 (2010: €10,691,217).

As explained in more detail in note 37 to the financial statements, the Group has a significant exposure to Air Malta plc, being its major customer. As at 31 December 2011 €3.6 million (2010 – €5.2 million) of the Group's trade and other receivables in note 20 were due from a single entity, Air Malta plc, which is the largest single customer of the Group, accounting for 37.9% (2010 – 39.7%) of the Group's revenues. This amount due represents 36.8% (2010 – 52.9%) of the Group's total trade and other receivables at 31 December 2011. As at year end, Air Malta plc has been in line with its agreed credit terms. Air Malta plc is currently going through a restructuring process and as a result the European Commission has authorized Government of Malta to grant a loan facility to Air Malta plc as a temporary measure, until it can take a position on the restructuring plan which has been submitted. 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 €4.6 million (2010 – €4.8 million). The board is assessing the situation on an ongoing basis, and feels confident that whatever the outcome of the restructuring process, it will not jeopardize in any way the Group's ability to continue operations and to meet its obligations.

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 €0.040 per share (gross €8,326,154) on all shares settled as at close of business on Tuesday, 10 April 2012 which dividend shall be paid not later than the 25 May 2012.

Directors

The directors who served during the year were:

Andreas Schadenhofer	*Chairman*
Karin Zipperer	*Chairman* *(resigned 26 January 2011)*
Jackie Camilleri	*Deputy Chairman*
Julian Jaeger	*Chief Executive Officer* *(resigned 4 September 2011)*
Austin Calleja	*Chief Financial Officer*
Michael Bianchi	
Youssef Sabeh	

Ms. Karin Zipperer resigned from her position as the Chairman as well as a director with effect from 26 January 2011. Mr. Andreas Schadenhofer was appointed Chairman of the board with effect from 17 March 2011. Mr. Julian Jaeger resigned from his position as CEO as well as a director with effect from 4 September 2011. Mr. Austin Calleja was appointed CEO ad interim from 5 September 2011 to 31 December 2011. With effect from 1 January 2012, Mr. Markus Klaushofer was appointed CEO and a director of the Company.

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

None of the current directors had a direct or indirect interest in any material contract to which the company or the group was a party during the financial year.

Auditor

A resolution to reappoint Deloitte Audit Limited as auditor of the company will be proposed at the forthcoming annual general meeting.

Going concern

After reviewing the company'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.

Approved by the board of directors on 22 March 2012 and signed on its behalf by:

Andreas Schadenhofer
Chairman

Markus Klaushofer
Chief Executive Officer

Austin Calleja
Chief Financial Officer

Statement of directors' responsibilities

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

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

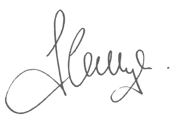
The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386). 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 2011 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 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.



Austin Calleja
Chief Financial Officer
obo/directors

Corporate Governance

1. Introduction

Pursuant to the Listing Rules issued by the Listing Authority, Malta International Airport (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 2011.

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 corporate governance structures within the Company that are designed to 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

Principles One to Five
These principles deal fundamentally with the role of the board and of the directors.

Principle One
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 has throughout the period under review provided the necessary leadership in the overall direction of the Company and has adopted systems whereby it obtains timely information from the Chief Executive Officer (the "CEO") as the head of the Executive Committee to ensure an open dialogue between the CEO and directors at regular intervals and not only at meetings of the board. The Company has a structure that ensures a mix of executive and non-executive directors that enables the board, and particularly the non-executive directors to have direct information about the Company's performance from the head of executive management that is also a director on the board.

Principle Two
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, a function which the board believes has been conducted in compliance with the dictates of Code Provision 2.2.

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

Principle Three
The full complement of the board, in line with Principle Three is of five (5) non-executive directors and three (3) executive directors[1], a balance that is entrenched in the Company's Memorandum and Articles, which requires that the CEO is an ex ufficio director together with a maximum of two 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 polices that allow effective discussion and the availability of all the information necessary to carry out their functions in the best possible manner.

[1] The actual current composition is of 7 directors since only two executive directors are in office

3. Compliance with the code (continued)

Principle Three (continued)
The members of the board for the year under review were:

Mr Andreas Schadenhofer	*(Chairman)*
Ms. Jackie Camilleri	*(Deputy Chairman and Non-Executive Director)*
Mr Youssef Sabeh	(*Non-Executive Director)*
Mr Michael Bianchi	*(Non-Executive Director)* and
Mr Julian Jaegar	*(CEO and Executive Director)* *(resigned on 4 September 2011)* [2]
Austin Calleja	(*CFO and Executive Director).*

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 will be scheduled for the full year. Board meetings concentrate mainly on strategy, operational performance and financial performance. The board also delegates specific responsibilities to the CEO and the Committees, notably the Executive Committee and the Audit Committee which operate under their respective formal terms of reference. Directors may, in the furtherance of their duties, take independent professional advice on any matter at the Company's expense.

For the purposes of Code Provision 3.2, requiring the board to report on whether it considers each non-executive director as independent in line with the requirements of that Code Provision, the board considers each of the non-executive directors as independent within the meaning of the Code.

Save for what is stated hereunder, none of the non-executive directors:

(a) are or have been employed in any capacity by the Company;
(b) has or has 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) has 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 Andreas Schadenhofer, the Chairman of the board, and Mr Yousef Sabeh (non-executive director) are both members of the board of directors of Malta Mediterranean Link Consortium Limited, a Company holding more than 40 per cent of the issued and voting capital of the Company. Notwithstanding the above relationship the board still considers each of Mr Schadenhofer and Mr Sabeh as having the required skills, experience and integrity to retain their independence and impartiality in acting as directors of the Company.

Principle Four
In terms of Principle Four it is the board's responsibility to ensure a system of accountability, monitoring, strategy formulation and policy development. Whilst these are matters which are reserved for the board to determine within the Group, the board believes that this responsibility includes the appropriate delegation of powers to management and the organization 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's link to the Executive Committee is principally the CEO, together with the other two executive directors on the board, both of whom are member of the Executive Committee.

The Executive Committee comprises both the executive directors and the heads of each business unit of the Group. The role of the Executive Committee is that of policy execution, business development, finance, security, administrative and personnel matters. It also makes recommendations to the board on matters which are beyond its remit. The Chief Executive Officer chairs the Executive Committee.

For the period under review the Committee was composed of:

Mr Julian Jaeger	*Chief Executive Officer* *(resigned on 4 September 2011)* [2]
Mr Austin Calleja	*Chief Financial Officer*
Major Charles Abela	*Technical Services*
Mr Roderick Bajada	*HR and Administration*
Mr Alan Borg	*Airline Marketing*
Mr Patrick Cuschieri	*Security, Fire and Rescue*
Major Martin Dalmas	*Airport Operations*
Mr Reuben Sciberras	*PR and Corporate Communication*
Mr George Mallia	*Retail and Property*

Company Executives participate in periodic strategic reviews, which include consideration of long-term projections and the evaluation of business alternatives. 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.

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.

In ensuring compliance with other statutory requirements and with continuing listing obligations, the board is advised directly,

[2] Mr Julian Jaeger resigned with effect from 4 September 2011 and was temporarily replaced in the position of CEO by Mr Austin Calleja. Following the end of the financial year under review Mr Markus Klaushofer was appointed as CEO.

Corporate Governance
(continued)

3. Compliance with the code (continued)

Principle Four (continued)
as appropriate, by its appointed broker, legal advisor and external auditors.

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

During the financial year under review, the board held six meetings.

Principle Five
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.

Principle Six
Principle Six of the Code deals with 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, consults with the directors on the appointment of senior executives. The board is satisfied that the current schemes for executive compensation are designed to render the Company an attractive proposition for the retention of top executives within the Company and to motivate the Executive Committee.

The board intends to organise 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.

Principle Seven
Principle Seven of the Code deals with an 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.

Principle Eight
Principle Eight A of the Code deals with the establishment of a remuneration committee for the Company aimed at developing policies on executive remuneration

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 itself the remuneration policies of the Company. In so far as senior executives are concerned it is the non-executive members of the board itself that establish the policies and decides on the performance related remuneration of senior executives and its executive directors.

The board notes that the organizational 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 it 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 executive and non-executive directors of the Company, as authorised by the shareholders of the Company, was €358,925 which falls within the maximum approved by the shareholders of €465,875.

Principle Eight B - This principle deals with the requirement of a formal and transparent procedure for the appointment of directors.

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 Articles however do not contemplate the existence of a Nominations Committee as suggested by the Code.

Principles Nine and Ten
Principles Nine and Ten of the Code deal with relations with shareholders and with the market, and institutional shareholders

The board is of the view that over the period under review the Company has communicated effectively with the market 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 where the board communicates directly with shareholders on the performance of the Company over the last financial year and to inform shareholders of the challenges that lie ahead.

Business at the Company's Annual General Meeting (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

3. Compliance with the code (continued)

Principles Nine and Ten (continued)

to set the auditors' remuneration. Any other matter that may be placed by the directors before the annual general meeting 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.

Principle Eleven

Principle Eleven deals with conflicts of interest and the principle that directors should always act in the best interests of the Company.

The board has established procedures on how conflicts are to be handled, if and when they arise. A director having a personal conflict on any matter is bound to inform the other members of the board of such a conflict whether it is an actual, potential or a perceived conflict. It is then the other members of the board that would decide on whether there exists such a conflict, actual or potential. By virtue of the Memorandum and Articles, 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 are 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 32 to the financial statements.

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

Director	
Andreas Schadenhofer	*a non-beneficial interest* [3]
Yousef Sabeh	*a non-beneficial interest* [4]
Austin Calleja	*a beneficial interest*
Michael Bianchi	*an indirect beneficial interest*

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

Principle Twelve

Principle Twelve encourages directors of listed companies to adhere to accepted principles of corporate social responsibility.

The directors are committed to high standards of ethical conduct and to contribute to the development of the well-being of employees and their families as well as the local community and society at large.

[3] These shares are held by MMLC, a Company of which Mr. Schadenhofer is a director

[4] These shares are held by MMLC, a Company of which Mr. Sabeh is a director

Corporate Governance
(continued)

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:

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.
4.3	For the purposes of Code Provision 4.3, whilst the board reports that for the year under review it has not organised any information sessions as set out in that provision, during its meetings the board regularly discusses the Company's operations and prospects, the skills and competence of senior management, the general business environment and the board's expectations.
7.1	The board believes that the size of the Company and the board itself does 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.
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.

THE AUDIT COMMITTEE

As part of its corporate governance structures the Company has an Audit Committee in line with the requirements of the Listing Rules. Unlike the provisions of the Code which are not mandatory in nature, the directors acknowledge that the requirement of having an Audit Committee in place is an obligation under the Listing Rules. The principal role of the Audit Committee is the monitoring of internal systems and controls. During the course of the period under review the board established the Audit Committee under formal terms of reference designed both to strengthen this function within the Company and to establish the scope of the duties and responsibilities of this Committee. The Committee consists of the three (3) non-executive directors, namely Ms Jackie Camilleri (Chairman), Mr Yousef Sabeh (Member) and Mr Andreas Schadenhofer (Member). 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 Ms Jackie Camilleri is independent and competent in accounting and/or auditing in terms of Listing Rule 5.117. The directors believe that Ms Jackie Camilleri satisfies the independence criteria as she is independent within the meaning of the Code as explained above in this Statement. 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 four meetings.

Corporate Governance
(continued)

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 the highest standards of business conduct 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

6. General Meetings

one vote and on a poll each shareholder is entitled to one vote for each share carrying voting rights of which he 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 person.

The directors' statement of responsibilities for preparing the financial statements is set out on page ten.

Approved by the board of directors on 22 March 2012 and signed on its behalf by:

Andreas Schadenhofer
Chairman

Markus Klaushofer
Chief Executive Officer

Austin Calleja
Chief Financial Officer

Independent auditor's report on Corporate Governance Statement of Compliance

to the members of

Malta International Airport p.l.c.

Pursuant to Listing Authority Listing Rules 5.94 and 5.97 issued by the Malta Financial Services Authority, the directors are required to include in their annual financial report a Corporate Governance Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with these principles.

Our responsibility is laid down by Listing Rule 5.98, which requires us to include a report on the Corporate Governance Statement of Compliance.

We read the Corporate Governance Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We are not required to perform additional work necessary to, and we do not, express an opinion on the effectiveness of either the Company's or the Group's system of internal control or its corporate governance procedures.

In our opinion, the Corporate Governance Statement of Compliance set out on pages eleven-sixteen has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.

Paul Mercieca as Director
In the name and on behalf of,
DELOITTE AUDIT LIMITED
Registered Auditor

22 March 2012

Statements of Comprehensive Income

Year ended 31 December 2011

		The Group		The Company	
		2011	2010	**2011**	2010
	Notes	**EUR**	EUR	**EUR**	EUR
Revenue	5	**52,426,175**	51,342,081	**51,951,305**	50,893,114
Staff costs	11	**(8,029,695)**	(8,965,645)	**(7,901,530)**	(8,763,820)
Depreciation	14	**(4,975,263)**	(5,018,756)	**(4,897,373)**	(4,980,649)
Other operating expenses	9	**(19,604,361)**	(19,142,513)	**(19,054,793)**	(19,003,442)
Release of deferred income arising on the sale of terminal buildings and fixtures	23	**288,190**	288,190	**288,190**	288,190
Finance income	7	**496,725**	220,171	**496,725**	220,171
Finance costs	8	**(1,678,845)**	(1,755,118)	**(1,678,845)**	(1,755,118)
Profit before tax		**18,922,926**	16,968,410	**19,203,679**	16,898,446
Income tax expense	12	**(7,013,496)**	(6,277,193)	**(6,949,425)**	(6,208,503)
Profit for the year attributable to the ordinary equity holders of the Company		**11,909,430**	10,691,217	**12,254,254**	10,689,943
Other comprehensive income					
Net (loss)/gain on available-for-sale financial assets	17	**(5,601)**	10,262	**(5,601)**	10,262
Total comprehensive income for the year attributable to the ordinary equity holders of the Company, net of tax		**11,903,829**	10,701,479	**12,248,653**	10,700,205
Earnings per share attributable to the ordinary equity holders of the Company	29	**8.80cents**	7.90cents	**9.06cents**	7.90cents

Statements of Financial Position

31 December 2011

		The Group		The Company	
		2011	2010	**2011**	2010
	Notes	**EUR**	EUR	**EUR**	EUR
ASSETS					
Non-current assets					
Property, plant and equipment	14	**98,842,152**	101,298,166	**98,223,150**	100,468,226
Investment property	15	**9,614,183**	2,838,828	**-**	-
Investment in subsidiaries	16	**-**	-	**2,400**	2,400
Available-for-sale financial assets	17	**962,760**	968,361	**962,760**	968,361
Deferred tax assets	18	**3,582,806**	4,112,114	**3,629,445**	4,151,840
		113,001,901	109,217,469	**102,817,755**	105,590,827
Current assets					
Inventories	19	**950,436**	773,424	**950,436**	773,424
Trade and other receivables	20	**13,158,514**	13,837,871	**11,221,881**	13,186,826
Current tax asset		**-**	878,994	**-**	878,994
Cash and short term deposits	28	**19,089,928**	10,025,521	**18,764,867**	9,750,493
		33,198,878	25,515,810	**30,937,184**	24,589,737
TOTAL ASSETS		**146,200,779**	134,733,279	**133,754,939**	130,180,564
EQUITY AND LIABILITIES					
Equity attributable to ordinary shareholders of the Company					
Share capital	26	**33,825,000**	33,825,000	**33,825,000**	33,825,000
Revaluation reserve	27	**1,471,327**	1,519,977	**1,471,327**	1,519,977
Fair value reserve	27	**1,459**	7,060	**1,459**	7,060
Retained earnings		**24,027,375**	20,837,607	**24,215,833**	20,681,241
Total equity		**59,325,161**	56,189,644	**59,513,619**	56,033,278
Non-current liabilities					
Bank loans	22	**59,586,164**	53,769,636	**48,622,372**	50,468,795
Deferred income	23	**7,142,179**	7,171,254	**7,137,179**	7,171,254
Provision for retirement benefit plan	24	**2,976,274**	3,142,652	**2,976,274**	3,142,652
Provision for MIA benefit plan	25	**68,740**	78,084	**68,740**	78,084
		69,773,357	64,161,626	**58,804,565**	60,860,785
Current liabilities					
Trade and other payables	21	**12,811,263**	11,685,155	**11,587,594**	10,636,363
Bank loan	22	**2,283,923**	1,846,423	**1,846,423**	1,846,423
Current tax liabilities		**1,356,982**	46,716	**1,352,645**	-
Provision for retirement benefit plan	24	**650,093**	803,715	**650,093**	803,715
		17,102,261	14,382,009	**15,436,755**	13,286,501
Total liabilities		**86,875,618**	78,543,635	**74,241,320**	74,147,286
TOTAL EQUITY AND LIABILITIES		**146,200,779**	134,733,279	**133,754,939**	130,180,564

These financial statements were approved and authorised for issue by the board of directors on 22 March 2012 and signed on its behalf by:

Andreas Schadenhofer
Chairman

Markus Klaushofer
Chief Executive Officer

Austin Calleja
Chief Financial Officer

Statements of Changes in Equity

Year ended 31 December 2011

The Group

	Share capital	Revaluation reserve	Fair value reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Balance at 1 January 2010	**31,516,376**	**1,568,622**	**(3,202)**	**20,295,226**	**53,377,022**
Profit for the year	-	-	-	10,691,217	10,691,217
Other comprehensive income	-	-	10,262	-	10,262
Total comprehensive income for the year	-	-	10,262	10,691,217	10,701,479
Difference between historical depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax on revaluation	-	26,193	-	-	26,193
Increase in issued share capital	2,308,624	-	-	(2,308,624)	-
Dividends paid (note 13)	-	-	-	(7,915,050)	(7,915,050)
Balance at 31 December 2010	**33,825,000**	**1,519,977**	**7,060**	**20,837,607**	**56,189,644**

	Share capital	Revaluation reserve	Fair value reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Balance at 1 January 2011	**33,825,000**	**1,519,977**	**7,060**	**20,837,607**	**56,189,644**
Profit for the year	-	-	-	11,909,430	11,909,430
Other comprehensive income	-	-	(5,601)	-	(5,601)
Total comprehensive income for the year	-	-	(5,601)	11,909,430	11,903,829
Difference between historical depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax on revaluation (note 18)	-	26,188	-	-	26,188
Dividends paid (note 13)	-	-	-	(8,794,500)	(8,794,500)
Balance at 31 December 2011	**33,825,000**	**1,471,327**	**1,459**	**24,027,375**	**59,325,161**

Statements of Changes in Equity

Year ended 31 December 2011

The Company

	Share capital	Revaluation reserve	Fair value reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Balance at 1 January 2010	31,516,376	1,568,622	(3,202)	20,140,134	53,221,930
Profit for the year	-	-	-	10,689,943	10,689,943
Other comprehensive income	-	-	10,262	-	10,262
Total comprehensive income for the year	-	-	10,262	10,689,943	10,700,205
Difference between historical depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax on revaluation	-	26,193	-		26,193
Increase in issued share capital	2,308,624	-	-	(2,308,624)	-
Dividends paid (note 13)	-	-	-	(7,915,050)	(7,915,050)
Balance at 31 December 2010	**33,825,000**	**1,519,977**	**7,060**	**20,681,241**	**56,033,278**

	Share capital	Revaluation reserve	Fair value reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Balance at 1 January 2011	**33,825,000**	**1,519,977**	**7,060**	**20,681,241**	**56,033,278**
Profit for the year	-	-	-	12,254,254	12,254,254
Other comprehensive income	-	-	(5,601)	-	(5,601)
Total comprehensive income for the year	-	-	(5,601)	12,254,254	12,248,653
Difference between historical depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax on revaluation (note 18)	-	26,188	-	-	26,188
Dividends paid (note 13)	-	-	-	(8,794,500)	(8,794,500)
Balance at 31 December 2011	**33,825,000**	**1,471,327**	**1,459**	**24,215,833**	**59,513,619**

Statements of Cash Flows
Year ended 31 December 2011

		The Group		The Company	
		2011	2010	**2011**	2010
	Notes	**EUR**	EUR	**EUR**	EUR
Cash flows from operating activities					
Profit before tax		**18,922,926**	16,968,410	**19,203,679**	16,898,446
Adjustments for:					
Depreciation of property, plant and equipment	14	**4,975,263**	5,018,756	**4,897,373**	4,980,649
Release of deferred income arising on the sale of the terminal building and fixtures	23	**(288,190)**	(288,190)	**(288,190)**	(288,190)
Amortisation of European Commission grant	23	**(40,255)**	(23,618)	**(40,255)**	(23,618)
Amortisation of Norwegian grant	23	**(51,761)**	(51,761)	**(51,761)**	(51,761)
Amortisation of Government grant	23	**(9,991)**	-	**(9,991)**	-
Interest expense	8	**1,678,845**	1,755,118	**1,678,845**	1,755,118
Loss on sale of property, plant and equipment		**14,907**	8,103	**14,907**	8,103
Interest income	7	**(496,725)**	(220,171)	**(496,725)**	(220,171)
Provision for retirement benefit plan	24	**-**	145,470	**-**	145,470
Provision for MIA benefit plan	25	**32,156**	37,278	**32,156**	37,278
Provision for impairment of trade receivables	20	**(377,034)**	134,599	**(377,034)**	134,599
		24,360,141	23,483,994	**24,563,004**	23,375,923
Working capital movements:					
Movement in inventories		**(177,012)**	47,290	**(177,012)**	47,290
Movement in trade and other receivables		**1,056,391**	(840,908)	**2,341,979**	(546,021)
Movement in trade and other payables and other financial liabilities		**1,126,108**	3,715,678	**951,231**	2,817,182
Cash flows from operations:		**26,365,628**	26,406,054	**27,679,202**	25,694,374
Interest paid		**(1,678,845)**	(1,755,118)	**(1,678,845)**	(1,755,118)
Income taxes paid		**(4,208,989)**	(4,355,320)	**(4,110,689)**	(4,296,054)
Retirement benefit paid		**(361,500)**	(31,600)	**(361,500)**	(31,600)
Net cash flows from operating activities		**20,116,294**	20,264,016	**21,528,168**	19,611,602
Cash flows from investing activities					
Receipt of European Commission grant	23	**282,842**	-	**282,842**	-
Receipt of Government grant	23	**99,908**	-	**99,908**	-
Receipt of deposit from tenant	23	**5,000**	-	**-**	-
Payments for property, plant and equipment	14	**(2,620,535)**	(3,251,995)	**(2,752,346)**	(2,621,301)
Payments for investment property		**(6,451,670)**	(3,131,656)	**-**	-
Interest received		**496,725**	220,171	**496,725**	220,171
Interest paid		**(323,685)**	(80,980)	**-**	-
Net cash flows used in investing activities		**(8,511,415)**	(6,244,460)	**(1,872,871)**	(2,401,130)
Cash flows from financing activities					
Proceeds from bank loan		**8,100,451**	3,300,841	**-**	-
Repayment of bank loans		**(1,846,423)**	(1,846,423)	**(1,846,423)**	(1,846,423)
Dividends paid	13	**(8,794,500)**	(7,915,050)	**(8,794,500)**	(7,915,050)
Net cash flows used in financing activities		**(2,540,472)**	(6,460,632)	**(10,640,923)**	(9,761,473)
Net increase in cash and cash equivalents		**9,064,407**	7,558,924	**9,014,374**	7,448,999
Cash and cash equivalents at the beginning of the year		**10,025,521**	2,466,597	**9,750,493**	2,301,494
Cash and cash equivalents at the end of the year	28	**19,089,928**	10,025,521	**18,764,867**	9,750,493

1. CORPORATE INFORMATION

The Company is a public Company incorporated and domiciled in Malta whose shares are publicly listed and traded on the Malta Stock Exchange. 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 activities of Sky Parks Development Limited are to operate and manage real estate projects within the land which is currently under the management of the Group. The principal activities of this subsidiary for the foreseeable future are to build and operate a Business Centre within the limits of the airport. 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 separate and consolidated financial statements. The annual separate and consolidated financial statements of the Group and the Company have been prepared on a historical cost basis, except for the revaluation of certain land and buildings as at the date of change in title of the underlying land and 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 below.

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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year.

2.3 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 change in title of the underlying land 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 at the date of change in title of the underlying land and depreciation based on the asset's original cost prior to the original revaluation is transferred from the revaluation reserve to retained earnings. When the asset is derecognised, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings. Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount. Any gains or losses arising on derecognition are included in profit or loss in the year the asset is derecognised.

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

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss, 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% per annum
Furniture, fixtures, plant and	-	10% - 33 1/3% per annum

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

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Subsequent to initial recognition investment property is stated at cost less any accumulated depreciation and any accumulated impairment losses.

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.

Investments in subsidiaries
A subsidiary is an entity that is controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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.

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 intends 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. 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 market price in an active market 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 equity, 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 equity is recognised in profit or loss.

(iii) Bank and other borrowings
Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest rate method. Bank loans are carried at face value due to their market rate of interest. Other borrowings are measured at amortised costs using the effective interest rate method, unless the effect of discounting is immaterial.

(iv) Trade payables
Trade payables are classified with current liabilities and are stated at their nominal value.

(v) 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.

(vi) 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 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
All assets are tested for impairment except for deferred tax assets and inventories. At each reporting date, the carrying

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)
amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

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

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market 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 less costs to sell (which is the amount obtainable from sale in an arm's length transaction between knowledgeable, willing parties, less the 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 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 subsequently reverses, 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 equity, unless an impairment loss on the same asset was previously recognised in profit or loss.

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market 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 criteria 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.

(ii) 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.

(iii) Grants
Grants received 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 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 land and buildings is transferred separately to the income statement in equal annual instalments over the lease term.

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.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. The substance is determined on whether the fulfilment of the arrangement either is dependent on the use of specific asset/assets; or if it conveys a right to use the asset.

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.

Where the Company is a lessor, leases where the Group and Company do not transfer substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Rents are recognised as revenue in the period in which they are earned.

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 for all deductible temporary differences 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 year 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 settle its current tax assets and liabilities on a net basis and the deferred taxes relate to the same taxable entity and the same taxation authority.

Employee benefits
Employee benefits include short term benefits and long term benefits.

The Group and the Company contribute towards the state pension fund in accordance with local legislation. The only obligation of the Group and the Company is to make the required contribution. Costs are expensed in the year in which they are incurred.

Retirement plans
For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with estimations being carried out at each reporting date. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation minus any past service costs not yet recognised.

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.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except as discussed below, the directors did not make any significant judgments in the process of applying the Company's and the Group's accounting policies which can significantly affect the amounts recognised in the consolidated and the seperate 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* was endorsed by the EU for financial years beginning after 29 March 2009. The Interpretation, which is limited in scope, clarifies the accounting of service concession arrangements by private sector operators which provide public services on behalf of government or other public sector entities. The Interpretation states that for arrangements falling within its scope, the

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 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, after appropriate detailed consultation, have concluded that IFRIC 12 does not apply in its entirety to the Company and its Group.

4. INITIAL APPLICATION OF AN INTERNATIONAL FINANCIAL REPORTING STANDARD AND INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

Initial Application of an International Financial Reporting Standard

In the current year, the Company has applied the following:

The revised IAS 24, which supersedes IAS 24 – Related Party Disclosures issued in 2003. The revised IAS 24 is mandatory for annual periods beginning on or after 1 January 2011, with earlier application being permitted. The revised standard clarifies and simplifies the definition of a related party and provides certain exemptions for government-related entities.

The Company and the Group have elected not to apply the exemptions from the disclosure requirements in respect of government-related entities.

In terms of the revised standard, companies which are significantly influenced by members of key management personnel of the Company are no longer considered to be related parties and the transactions and outstanding balances in connection with such entities are no longer required. However, the revised standard has also resulted in the identification of new related parties.

The Company and the Group have applied the revised IAS 24 retrospectively in accordance with the transitional provisions of that Standard.

International Financial Reporting Standards in Issue but not yet Effective

At the date of the approval of these financial statements, a number of standards and interpretations issued by the International Accounting Standards Board were either not yet endorsed by the EU or were not yet applicable to the Group and the Company.

IFRS 9 (as amended in 2010) – *Financial Instruments*
IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and the accounting for financial liabilities.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

Further to the December 2011 Amendment to IFRS 9 in connection with its effective date, IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. However, this standard has not yet been endorsed by the European Union.

IFRS 13 *Fair Value Measurement*
On 12 May 2011, the IASB issued IFRS 13 *Fair Value Measurement*. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRSs. The Standard is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. IFRS 13 has not yet been endorsed by the European Union at the date of authorisation of these financial statements.

4. INITIAL APPLICATION OF AN INTERNATIONAL FINANCIAL REPORTING STANDARD AND INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (continued)

International Financial Reporting Standards in Issue but not yet Effective (continued)

IAS 19 *Employee Benefits*
On 16 June 2011, the IASB announced the completion of its project to improve the accounting for pensions and other post-employment benefits by issuing an amended version of IAS 19, *Employee Benefits*. The amendments will provide investors and other users of financial statements with a much clearer picture of an entity's obligations resulting from the provision of defined benefit plans and how those obligations will affect its financial position, financial performance and cash flow. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013. Earlier application is permitted.

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 anticipate 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.

5. REVENUE

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		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
By activity:				
Regulated fees	**34,577,657**	32,767,660	**34,577,657**	32,767,660
Commercial fees	**10,863,097**	11,451,229	**10,863,097**	11,451,229
Recharges and other income	**6,985,421**	7,123,192	**6,510,551**	6,674,225
	52,426,175	51,342,081	**51,951,305**	50,893,114

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

Commercial fees comprise income from retail, 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 three 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). However, 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	
	2011	2010
	EUR	EUR
Airport		
Segment revenue (external)	**39,165,128**	38,390,792
Segment EBIT	**12,504,879**	11,319,214
Retail and property		
Segment revenue (external)	**12,624,977**	12,463,598
Segment EBIT	**6,790,419**	6,564,493
Other segments		
Segment revenue (external)	**636,070**	487,691
Segment EBIT	**521,558**	331,460
Total		
Segment revenue (external)	**52,426,175**	51,342,081
Segment EBIT	**19,816,856**	18,215,167

Airport segment

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

Retail and property segment

The Retail & 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 are also allocated within the Retail & Properties Segment.

Other segments

Other Segments 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 costs associated with this income.

Notes to the financial statements
(continued)

6. OPERATING SEGMENT INFORMATION (continued)

The Group

31 December 2011

	The Group			
	Airport	Retail and property	Other segments	Group
	EUR	EUR	EUR	EUR
Segment revenue (external)	39,165,128	12,624,977	636,070	52,426,175
Segment operating costs	(26,660,249)	(5,834,558)	(114,512)	(32,609,319)
Segment EBIT	12,504,879	6,790,419	521,558	19,816,856
Finance income				496,725
Finance cost				(1,678,845)
Release of deferred income arising on the sale of terminal buildings and fixtures				288,190
Profit before tax				18,922,926

31 December 2010

	The Group			
	Airport	Retail and property	Other segments	Group
	EUR	EUR	EUR	EUR
Segment revenue (external)	38,390,792	12,463,598	487,691	51,342,081
Segment operating costs	(27,071,578)	(5,899,105)	(156,231)	(33,126,914)
Segment EBIT	11,319,214	6,564,493	331,460	18,215,167
Finance income				220,171
Finance cost				(1,755,118)
Release of deferred income arising on the sale of terminal buildings and fixtures				288,190
Profit before tax				16,968,410

Segment assets

	The Group	
	2011	2010
	EUR	EUR
Assets by segment		
Airport	**74,947,118**	75,808,622
Retail and properties	**45,371,183**	41,594,996
Total assets in reported segments	**120,318,301**	117,403,618
Assets not allocated to a specified segment		
Financial assets	**962,760**	968,361
Deferred tax assets	**3,582,806**	4,112,114
Inventories	**950,436**	773,424
Other receivables	**1,296,548**	571,247
Current tax asset	**-**	878,994
Cash and short term deposits	**19,089,928**	10,025,521
Total not allocated	**25,882,478**	17,329,661
Group assets	**146,200,779**	134,733,279

Revenue from two different customers amounted to EUR19,842,199 (2010: EUR20,404,693) and EUR8,385,672 (2010: EUR7,031,359) respectively. These revenues arise from the airport segment.

Notes to the financial statements
(continued)

7. FINANCE INCOME

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Bank interest	**496,725**	220,171	**496,725**	220,171

8. FINANCE COSTS

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Total borrowing costs	**2,002,530**	1,836,098	**1,678,845**	1,755,118
Less: amounts capitalised (note 15)	**(323,685)**	(80,980)	**-**	-
Interest on bank loans	**1,678,845**	1,755,118	**1,678,845**	1,755,118

9. OTHER OPERATING EXPENSES

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Repairs and maintenance	**1,531,272**	1,671,454	**1,528,749**	1,666,609
Marketing and communication costs	**2,533,910**	1,964,275	**2,455,744**	1,918,890
Insurance	**415,819**	410,267	**414,220**	409,548
Telecommunications	**228,140**	219,396	**226,156**	217,710
Utilities	**2,839,874**	2,916,839	**2,839,874**	2,916,839
Third party services	**6,661,015**	7,402,493	**6,661,015**	7,402,493
Legal and professional fees	**387,404**	447,452	**355,960**	441,698
Losses of disposal of fixed assets	**32,997**	8,103	**14,907**	8,103
Net exchange differences	**(4,137)**	376	**(4,042)**	319
Operating lease payments	**803,750**	801,419	**803,750**	801,419
Movements in provision for bad debts (note 20)	**(377,034)**	134,599	**(377,034)**	134,599
Miscellaneous operating expenses	**4,551,351**	3,165,840	**4,135,494**	3,085,215
	19,604,361	19,142,513	**19,054,793**	19,003,442

Included in the legal and professional fees are amounts that are payable to the parent Company's auditors, the analysis of which is required to be disclosed as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Audit of the financial statements	**29,754**	28,754	**24,000**	23,000
Tax advisory services	**9,222**	2,714	**6,980**	2,714
Non-audit services other than tax advisory services	**4,944**	40,430	**4,944**	40,430

Notes to the financial statements
(continued)

10. KEY MANAGEMENT PERSONNEL COMPENSATION

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Directors' compensation:				
Short-term benefits:				
Fees	**53,920**	74,734	**53,920**	74,734
Management remuneration	**305,005**	353,374	**305,005**	353,374
Social security costs	**2,956**	3,423	**2,956**	3,423
	361,881	431,531	**361,881**	431,531

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 EUR74,511 (2010 – EUR97,466). 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 EUR14,937 (2010 – EUR15,723). These amounts are included with other operating expenses.

11. STAFF COSTS AND EMPLOYEE INFORMATION

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Staff costs:				
Wages and salaries	**7,440,256**	8,204,378	**7,320,371**	8,011,632
Social security costs	**557,283**	578,519	**549,003**	569,440
Retirement benefit costs (notes 24 & 25)	**32,156**	182,748	**32,156**	182,748
	8,029,695	8,965,645	**7,901,530**	8,763,820

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

	The Group		The Company	
	2011	2010	**2011**	2010
	Number	Number	**Number**	Number
Business development, operations and marketing	**104**	113	**102**	111
Finance, IT and information management	**26**	22	**26**	22
Firemen	**38**	39	**38**	39
Meteorological office	**14**	15	**14**	15
Safety, security and administration	**82**	93	**77**	87
Technical and engineering	**80**	85	**80**	85
	344	367	**337**	359

Notes to the financial statements
(continued)

12. INCOME TAX EXPENSE

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Current tax expense	**6,457,995**	5,862,813	**6,400,837**	5,809,604
Deferred tax expense	**555,501**	414,380	**548,588**	398,899
	7,013,496	6,277,193	**6,949,425**	6,208,503

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

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Profit before tax	**18,922,926**	16,968,410	**19,203,679**	16,898,446
Tax at the applicable rate of 35%	**6,623,024**	5,938,944	**6,721,288**	5,914,456
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	**350,931**	354,509	**350,931**	354,509
Disallowed expenses in determining taxable income	**162,285**	47,971	**-**	3,769
Finance income subject to lower tax rates	**(90,436)**	(39,706)	**(90,436)**	(39,706)
Other differences	**(32,308)**	(24,525)	**(32,358)**	(24,525)
Income tax expense for the year	**7,013,496**	6,277,193	**6,949,425**	6,208,503

13. DIVIDENDS

The net final dividend of EUR4,735,500 (3.5cents 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 5 May 2011 and was paid on 17 May 2011. The net final dividend for 2009 of EUR3,856,050 (5.7cents per ordinary share) proposed by the directors during 2010 was paid on 17 May 2010.
On the 15 September 2011, a net interim dividend of EUR4,059,000 (3cents per share) (2010 – EUR4,059,000 (3cents per share)) was paid to ordinary shareholders of the Company.

The directors propose that a net final dividend of EUR0.040 per ordinary share will be paid to ordinary shareholders in respect of the year ended 31 December 2011. 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 EUR5,412,000.

Notes to the financial statements
(continued)

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land held on temporary emphyteusis	Buildings	Furniture, fixtures, plant and equipment	Total
	EUR	EUR	EUR	EUR
Cost				
At 1 January 2010	42,033,473	62,532,743	68,530,813	173,097,029
Additions	-	632,683	2,619,312	3,251,995
Disposals	-	-	(20,266)	(20,266)
At 1 January 2011	42,033,473	63,165,426	71,129,859	176,328,758
Additions	-	259,287	2,450,957	2,710,244
Disposals	-	-	(296,561)	(296,561)
At 31 December 2011	42,033,473	63,424,713	73,284,255	178,742,441
Accumulated depreciation				
At 1 January 2010	4,796,129	17,022,525	48,205,345	70,023,999
Provision for the year	646,669	1,260,877	3,111,210	5,018,756
Eliminated on disposal	-	-	(12,163)	(12,163)
At 1 January 2011	5,442,798	18,283,402	51,304,392	75,030,592
Provision for the year	646,669	1,245,120	3,083,474	4,975,263
Eliminated on disposal	-	-	(105,566)	(105,566)
At 31 December 2011	6,089,467	19,528,522	54,282,300	79,900,289
Carrying amount				
At 31 December 2011	**35,944,006**	**43,896,191**	**19,001,955**	**98,842,152**
At 31 December 2010	36,590,675	44,882,024	19,825,467	101,298,166

No depreciation is being charged on assets not yet available for use amounting to EUR610,365 (2010 – EUR1,661,065). In addition, the cost of fully depreciated plant and equipment amounts to EUR41,739,616 (2010 - EUR38,959,731) for both the Group and the Company.

Notes to the financial statements
(continued)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Land held on temporary emphyteusis	Buildings	Furniture, fixtures, plant and equipment	Total
	EUR	EUR	EUR	EUR
Cost				
At 1 January 2010	42,033,473	62,532,743	68,250,139	172,816,355
Additions	-	632,683	1,988,618	2,621,301
Disposals	-	-	(20,266)	(20,266)
At 1 January 2011	42,033,473	63,165,426	70,218,491	175,417,390
Additions	-	259,287	2,415,915	2,675,202
Disposals	-	-	(76,381)	(76,381)
At 31 December 2011	42,033,473	63,424,713	72,558,025	178,016,211
Accumulated depreciation				
At 1 January 2010	4,796,129	17,022,525	48,162,024	69,980,678
Provision for the year	646,669	1,260,877	3,073,103	4,980,649
Eliminated on disposal	-	-	(12,163)	(12,163)
At 1 January 2011	5,442,798	18,283,402	51,222,964	74,949,164
Provision for the year	646,669	1,245,120	3,005,584	4,897,373
Eliminated on disposal	-	-	(53,476)	(53,476)
At 31 December 2011	6,089,467	19,528,522	54,175,072	79,793,061
Carrying amount				
At 31 December 2011	**35,944,006**	**43,896,191**	**18,382,953**	**98,223,150**
At 31 December 2010	36,590,675	44,882,024	18,995,527	100,468,226

No depreciation is being charged on assets not yet available for use amounting to EUR610,365 (2010 – EUR1,005,777).

15. INVESTMENT PROPERTY

The Group

	Carrying amount (at cost) on 31.12.2011	on 31.12.2010
Project Name	**EUR**	EUR
Business Centre	**9,614,183**	2,838,828

The above project which is currently under construction was financed through bank loans (note 22). The amount of borrowing costs capitalised for the Group in respect of investment property during the year ended 31 December 2011 was EUR323,685 (2010 – EUR80,980). The rate used to determine the amount of borrowing costs eligible for capitalisation was 4.70% (2010: 4.70%), which is the effective interest rate of the specific borrowing.

The directors estimate that the fair value of the above investment property does not differ significantly from its carrying amount.

Notes to the financial statements
(continued)

16. INVESTMENT IN SUBSIDIARIES

The Company

	2011	2010
	EUR	EUR
Shares in Airport Parking Limited	**1,200**	1,200
Shares in Sky Parks Development Limited	**1,200**	1,200
	2,400	2,400

The Company holds a 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, and a 100% ownership in the ordinary share capital of Sky Parks Development Limited, a limited Company incorporated in Malta, whose principal activity is the building and operation of a Business Centre within the limits of the airport.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group and the Company

	Local unlisted Equity Shares	Local Listed Fund	Total
	EUR	EUR	EUR
At 1 January 2010	884,696	73,403	958,099
Additions	-	-	-
	884,696	73,403	958,099
Movements in fair value	-	10,262	10,262
At 31 December 2010	884,696	83,665	968,361
At 1 January 2011	884,696	83,665	968,361
Additions	-	-	-
	884,696	83,665	968,361
Movements in fair value	-	(5,601)	(5,601)
At 31 December 2011	**884,696**	**78,064**	**962,760**

Available-for-sale financial asset - Local unlisted equity shares
The Company has an investment in unlisted securities which present it with an opportunity for returns through dividends.

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.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2011, the Group and the Company held the following financial instruments measured at fair value:

	31.12.2011	Level 1	level 2	Level 3
	EUR	EUR	EUR	EUR
Assets measured at fair value				
Fund	78,064	78,064	-	-

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

As at 31 December 2010 the Group and the Company held the following financial instruments measured at fair value:

	31.12.2010	Level 1	level 2	Level 3
	EUR	EUR	EUR	EUR
Assets measured at fair value				
Fund	83,665	83,665	-	-

As per the Group's and Company's accounting policy, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

During the reporting periods ended 31 December 2011 and 31 December 2010, 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. DEFERRED TAXATION

The Group

	31.12.2009	Movement for the year	31.12.2010	Movement for the year	**31.12.2011**
	EUR	EUR	EUR	EUR	**EUR**
		recognised in		*recognised in*	
Arising on:		*profit or loss:*		*profit or loss:*	
Accelerated tax depreciation	1,379,261	(407,637)	971,624	(198,074)	**773,550**
Provision for pension costs	1,330,314	50,914	1,381,228	(112,000)	**1,269,228**
Deferred income	2,452,594	(100,867)	2,351,727	(100,866)	**2,250,861**
Other temporary differences	182,755	43,210	225,965	(144,556)	**81,409**
	5,344,924	(414,380)	4,930,544	(555,496)	**4,375,048**
		recognised in		*recognised in*	
		equity:		*equity:*	
Revaluation of properties prior to change in title of the underlying land	(844,623)	26,193	(818,430)	26,188	**(792,242)**
Total	4,500,301	(388,187)	4,112,114	(529,308)	**3,582,806**

The Company

	31.12.2009	Movement for the year	31.12.2010	Movement for the year	**31.12.2011**
	EUR	EUR	EUR	EUR	**EUR**
		recognised in		*recognised in*	
Arising on:		*profit or loss:*		*profit or loss:*	
Accelerated tax depreciation	1,403,506	(392,156)	1,011,350	(191,161)	**820,189**
Provision for pension costs	1,330,314	50,914	1,381,228	(112,000)	**1,269,228**
Deferred income	2,452,594	(100,867)	2,351,727	(100,866)	**2,250,861**
Other temporary differences	182,755	43,210	225,965	(144,556)	**81,409**
	5,369,169	(398,899)	4,970,270	(548,583)	**4,421,687**
		recognised in		*recognised in*	
		equity:		*equity:*	
Revaluation of properties prior to change in title of the underlying land	(844,623)	26,193	(818,430)	26,188	**(792,242)**
Total	4,524,546	(372,706)	4,151,840	(522,395)	**3,629,445**

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, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Notes to the financial statements
(continued)

19. INVENTORIES

The Group and the Company

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Consumables	**950,436**	773,424	**950,436**	773,424

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Trade receivables	**6,210,828**	6,519,020	**6,033,385**	6,404,410
Other receivables	**1,303,775**	588,247	**-**	29,383
Receivables from subsidiaries	**-**	-	**938,235**	432,157
Receivables from other related parties	**3,627,997**	5,184,754	**3,627,997**	5,184,754
Prepayments and accrued income	**2,015,914**	1,545,850	**622,264**	1,136,122
	13,158,514	13,837,871	**11,221,881**	13,186,826

The terms and conditions of the receivables from related parties are disclosed in note 32. Trade receivables are non-interest bearing and are generally on 30 day terms.

The Group and the Company
As at 31 December 2011, trade receivables at nominal value of EUR222,408 (2010: EUR599,442) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	Individually Impaired
	EUR
At 1 January 2010	464,843
Movement for the year	134,599
At 31 December 2010	599,442
Movement for the year	(377,034)
At 31 December 2011	**222,408**

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

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**30-60 days**	**60 days**	**90 days**	**>120 days**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
2011	**6,210,828**	**3,313,361**	**1,515,706**	**363,677**	**355,786**	**662,298**
2010	6,519,020	3,392,245	1,476,303	483,792	498,555	668,125

Notes to the financial statements
(continued)

20. TRADE AND OTHER RECEIVABLES

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

			Past due but not impaired			
	Total	Neither past due nor impaired	30-60 days	60 days	90 days	>120 days
	EUR	EUR	EUR	EUR	EUR	EUR
2011	**6,033,385**	**3,246,288**	**1,493,918**	**358,932**	**316,502**	**617,745**
2010	6,404,410	3,313,657	1,476,303	482,117	464,208	668,125

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.

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Trade payables	**1,583,017**	4,947,347	**1,422,130**	4,371,083
Other payables	**404,833**	77,264	**405,640**	73,286
Payables due to subsidiaries	**-**	-	**11,921**	-
Accruals and deferred income	**10,823,413**	6,660,544	**9,747,903**	6,191,994
	12,811,263	11,685,155	**11,587,594**	10,636,363

Accruals and deferred income for the Group include deferred income amounting to EUR390,197 (2010: EUR363,569) as disclosed as note 23.

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

22. BANK LOANS

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Current bank loans	**2,283,923**	1,846,423	**1,846,423**	1,846,423
Non-current bank loans	**59,586,164**	53,769,636	**48,622,372**	50,468,795

The Company has a bank loan 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 loan is repayable in annual instalments. During the year, the loan incurred interest at 3.25% (2010 – 3.25%) per annum.

In 2010 Sky Parks Development Limited was granted a bank loan amounting to Eur16 million which is repayable by 2030, and is secured by a general hypothec over the commercial block under construction, consisting of car parking spaces, retail outlets and other floor space which will be rented out to various companies. During 2011 EUR8,100,451 of this bank loan was drawn down (2010 – EUR3,300,841). At the reporting date, interest is charged at 4.7% per annum.

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

Notes to the financial statements
(continued)

23. DEFERRED INCOME

The Group

	2010	Movement for the year		**2011**
		Additions	Amortisation	
	EUR	EUR	EUR	**EUR**
Deferred income arising from the gain on disposal of the land and buildings	6,719,220	-	(288,190)	**6,431,030**
European Commission grant	401,514	282,842	(40,255)	**644,101**
Norwegian grant	414,089	-	(51,761)	**362,328**
Government grant	-	99,908	(9,991)	**89,917**
Deposit received from tenant	-	5,000	-	**5,000**
Total deferred income as at 31 December	7,534,823	387,750	(390,197)	**7,532,376**
Less: amounts included in trade and other payables (note 21)	(363,569)			**(390,197)**
Amounts included in non-current liabilities	7,171,254			**7,142,179**

	2009	Movement for the year	2010
		Amortisation	
	EUR	EUR	EUR
Deferred income arising from the gain on disposal of the land and buildings	7,007,410	(288,190)	6,719,220
European Commission grant	425,132	(23,618)	401,514
Norwegian grant	465,850	(51,761)	414,089
Total deferred income as at 31 December	7,898,392	(363,569)	7,534,823
Less: amounts included in trade and other payables (note 21)	(363,569)		(363,569)
Amounts included in non-current liabilities	7,534,823		7,171,254

The Company

	2010	Movement for the year		**2011**
		Additions	Amortisation	
	EUR	EUR	EUR	EUR
Deferred income arising from the gain on disposal of the land and buildings	6,719,220	-	(288,190)	**6,431,030**
European Commission grant	401,514	282,842	(40,255)	**644,101**
Norwegian grant	414,089	-	(51,761)	**362,328**
Government grant	-	99,908	(9,991)	**89,917**
Total deferred income as at 31 December	7,534,823	382,750	(390,197)	**7,527,376**
Less: amounts included in trade and other payables (note 21)	(363,569)			**(390,197)**
Amounts included in non-current liabilities	7,171,254			**7,137,179**

	2009	Movement for the year	2010
		Amortisation	
	EUR	EUR	EUR
Deferred income arising from the gain on disposal of the land and buildings	7,007,410	(288,190)	6,719,220
European Commission grant	425,132	(23,618)	401,514
Norwegian grant	465,850	(51,761)	414,089
Total deferred income as at 31 December	7,898,392	(363,569)	7,534,823
Less: amounts included in trade and other payables (note 21)	(363,569)		(363,569)
Amounts included in non-current liabilities	7,534,823		7,171,254

23. DEFERRED INCOME (continued)

The deferred income arising from the gain on disposal of the land and buildings that took place prior to privatisation in 2002 is being taken to income in accordance with the accounting policy stated in note 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.

24. PROVISION FOR RETIREMENT BENEFIT PLAN

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Current provision for retirement benefit plan	**650,093**	803,715	**650,093**	803,715
Non-current provision for retirement benefit plan	**2,976,274**	3,142,652	**2,976,274**	3,142,652

The provision for retirement benefits is unfunded and represents the year-end provision 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 obligation discounted to the net present value at the rate which has been determined by reference to market yields at the end of the reporting period on high quality corporate bonds and government bonds after considering the average life expectancy of such employees and where applicable, expected rates of salary increases based on the inflation and previous increases given to employees.

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

	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
	EUR	EUR	EUR	EUR	EUR
Present value of the provision for retirement benefits at 1 January	**3,946,367**	3,800,897	3,671,191	3,381,246	3,357,270
Payments effected	**(320,000)**	-	-	-	-
Charge for the year (recognised in staff costs)	-	145,470	129,706	289,945	23,976
Present value of the provision for retirement benefits at 31 December	**3,626,367**	3,946,367	3,800,897	3,671,191	3,381,246

25. PROVISION FOR MIA BENEFIT PLAN

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Provision for MIA benefit plan	**68,740**	78,084	**68,740**	78,084

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 high quality corporate bonds and government bonds after considering the probability that employees reach the applicable retirement age when they are still in employment with the Company.

Notes to the financial statements
(continued)

25. PROVISION FOR MIA BENEFIT PLAN (continued)

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

	The Group & the Company	
	2011	2010
	EUR	EUR
Present value of the provision for MIA benefit plan at 1 January	**78,084**	72,406
Payments effected	**(41,500)**	(31,600)
Charge for the year *(recognised in staff costs)*	**32,156**	37,278
Present value of the provision for MIA benefit plan at 31 December	**68,740**	78,084

26. SHARE CAPITAL

The Company

	As at 31.12.2011 and 31.12.2010	
	Authorised	**Issued and called up**
	EUR	**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 EUR0.25each (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 Group and 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.

On 10 May 2010 the shareholders approved an increase in issued share capital by EUR2,308,624 through a capitalisation of retained earnings. On that date, the shareholders also approved a split issue, thereby increasing the issued share capital from 67,650,000 shares to 135,300,000 shares, resulting in a paid up capital of EUR33,825,000. The above changes were effective on 1 June 2010.

Shareholders
The shareholders owning 5% or more of the Company's equity share capital at 31 December 2011 were the following:

Malta Mediterranean Link Consortium Limited	40.0%	'B' shares
Government of Malta	20.0%	'A' and 'C' shares
VIE (Malta) Limited	10.1%	'A' shares

27. RESERVES

Revaluation Reserve
The revaluation reserve emanates from the revaluation of the Company's buildings prior to the change in title to land and buildings.

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

28. 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:

28. CASH AND SHORT TERM DEPOSITS (continued)

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	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Cash at bank and in hand	**19,089,928**	10,025,521	**18,764,867**	9,750,493

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

29. 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	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Profit for the year attributable to the ordinary equity holders of the Company	**11,909,430**	10,691,217	**12,254,254**	10,689,943
Weighted average number of shares	**135,300,000**	135,300,000	**135,300,000**	135,300,000
Earnings per share (cents) attributable to the ordinary equity holders of the Company	**8.80**	7.90	**9.06**	7.90

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

30. CAPITAL COMMITMENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Contracted but not provided for	**227,000**	1,355,000	**227,000**	1,355,000
Authorised but not contracted for	**6,031,080**	17,715,150	**6,031,080**	5,015,150

Included in 2010 is an amount of EUR12.7 million in connection with contractual obligations for the investment property under construction (note 15).

31. CONTINGENT LIABILITIES

At reporting date, there existed:

(i) a claim filed by a former employee of the Company for unfair dismissal, the amount of which has not been determined;

(ii) a dispute with the Government of Malta which arose in 2005 and which could result in a claim. Government estimated at the time, the value of the claim to be in the region of EUR1,747,030; and

(iii) a claim by an airline for a total amount of EUR250,526 (2010: EUR250,526) which claim is subject to full reimbursement by the Company's insurers. On 7 February 2012 the court ordered the Company to reimburse the full amount claimed. The Company has been advised to file an appeal to the sentence.

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

Notes to the financial statements
(continued)

32. 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. Other than those disclosed in note 34 the related party transactions in question were:

The Group

	31.12.2011			31.12.2010			31.12.2009		
	Related party activity EUR	**Total activity EUR**	**%**	Related party activity EUR	Total activity EUR	%	Related party activity EUR	Total activity EUR	%
Revenue:									
Related party transactions with:									
Companies which are controlled by Government	**21,496,349**	**52,426,175**	**41**	20,375,411	51,342,081	40	19,855,912	46,078,169	43
Staff and other operating costs:									
Related party transactions with:									
Key management personnel of the Group (note 10)	**451,329**			649,720			500,814		
Related parties other than the parent and key management personnel of the Group	**2,819,139**			2,345,066			2,462,855		
	3,270,468	**27,634,056**	**12**	2,994,786	28,108,158	11	2,963,669	25,585,547	12

The Company

	31.12.2011			31.12.2010			31.12.2009		
	Related party activity EUR	**Total activity EUR**	**%**	Related party activity EUR	Total activity EUR	%	Related party activity EUR	Total activity EUR	%
Revenue:									
Related party transactions with:									
Companies which are controlled by Government	**21,459,349**			20,329,161			19,863,573		
Subsidiary	**917,238**			843,586			720,416		
	22,376,587	**51,951,305**	**43**	21,172,747	50,893,114	42	20,583,989	46,078,169	45
Staff and other operating costs:									
Related party transactions with:									
Key management personnel of the Group (note 10)	**451,329**			649,720			500,814		
Related parties other than the parent and key management personnel of the Group	**2,819,139**			2,345,066			2,462,855		
	3,270,468	**26,956,323**	**12**	2,994,786	27,767,262	11	2,963,669	25,585,547	12

The amounts due to/from related parties are disclosed in note 20 & 21. 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 interest-free.

As disclosed in more detail in note 4, the Company and the Group have applied the revised IAS 24 retrospectively in accordance with the transitional provisions of that Standard. In the current year's financial statements, the disclosures in this note for the comparative period have been restated.

Notes to the financial statements
(continued)

32. RELATED PARTY DISCLOSURES (continued)

The disclosures of the following line items in note 20 have also been restated in accordance with the transitional provisions of the revised IAS 24, as follows:

The Group

	The Group		
	2011	2010	2009
	EUR	EUR	EUR
Trade receivables	**6,210,828**	6,519,020	5,720,152
Receivables from other related parties	**3,627,997**	5,184,754	5,064,122

The Company

	The Company		
	2011	2010	2009
	EUR	EUR	EUR
Trade receivables	**6,033,385**	6,404,410	5,698,104
Receivables from other related parties	**3,627,997**	5,184,754	5,064,122

33. OPERATING LEASE ARRANGEMENTS

The Group and the Company as lessee

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Minimum lease payments under operating lease recognised as an expense for the year	**803,750**	801,419	**803,750**	801,419

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	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Within one year	**995,487**	803,750	**995,487**	803,750
In the second to fifth years inclusive	**4,003,341**	3,992,644	**4,003,341**	3,992,644
After five year	**120,060,591**	122,313,019	**120,060,591**	122,313,019
	125,059,419	127,109,413	**125,059,419**	127,109,413

Operating lease payments represent ground rent payable by the Company to the Government of Malta on the temporary emphyteusis, with no renewal option included in the contract. Leases are determined up to the term of the lease, being 65 years. The lease payments are adjusted upwards by 15% every five years.

The Group and the Company as lessor

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Minimum lease payments under operating lease recognised as income for the year	**504,542**	504,426	**504,642**	504,476

Notes to the financial statements
(continued)

33. OPERATING LEASE ARRANGEMENTS (continued)

The Group and the Company as lessor (continued)
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	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Within one year	**745,106**	504,542	**795,106**	504,592
In the second to fifth years inclusive	**3,058,571**	3,032,522	**3,266,196**	3,235,022
After five years	**19,708,286**	20,479,441	**21,336,624**	22,162,904
	23,511,963	24,016,505	**25,397,926**	25,902,518

Operating lease income receivable by the Group represents income from the lease of land recognised as a non-cancellable lease agreement.

Operating lease income receivable by the Company also includes income from the lease of land to a subsidiary.

34. MATERIAL CONTRACTS

The material contracts entered into by the Company in the year ended 31 December 2011 with its 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 EUR1,319,911 (2010 – EUR1,282,338).

The Government of Malta
(i) The terminal land lease agreement with the Lands Department for EUR803,634 (2010 – EUR801,419);
(ii) The contract for contribution to the Malta Tourism Authority for EUR232,937 (2010 – EUR232,937);
(iii) The contract with the Armed Forces of Malta for the security of the restricted areas at the Airport for an expense of EUR2,614,894 (2010 – EUR2,959,576);
(iv) The provision of Air Navigation Services and other services by Malta Air Traffic Services Limited for an expense of EUR902,898 (2010 – EUR902,898);
(v) The provision of Meteorological Services and other services to Malta Air Traffic Services Limited for revenue of EUR939,310 (2010 – EUR937,140);
(vi) The contract with Enemalta Corporation for fuel throughput charges generated the amount of EUR529,290 (2010 – EUR1,560,886) in revenue;
(vii) The ground handling and concession agreements with Air Malta plc and its subsidiaries that generated income of EUR1,835,135 (2010 – EUR2,081,194).

35. PARENT COMPANY

For the purposes of IAS 27 – Consolidated and Separate 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, which has its registered office at Palazzo Pietro Stiges, 60 St. Christopher Street, Valletta, Malta, the power to govern the financial and operating policies of the Company so as to obtain benefits from its activities. The consolidated financial statements of the Group are incorporated in the Group financial statements of Malta Mediterranean Link Consortium Limited.

36. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

At 31 December 2011 and 31 December 2010 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short term maturities of these assets and liabilities that are not measured at fair value. The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value, other than unlisted investments that cannot be reliably measured and that are carried at cost, are not materially different from their carrying amounts.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are stated at cost since the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reliably assessed. It is not possible to disclose the range of estimates within which fair value is highly likely to lie.

Notes to the financial statements
(continued)

37. FINANCIAL RISK MANAGEMENT

The Group's and the Company's principal financial liabilities comprise bank loans and trade payables. The main purpose of these financial liabilities is to raise finance for the Group and the Company's operations. The principal financial assets of the Group and the Company are trade receivables, available-for-sale financial assets and cash and short-term deposits, which arise mainly from its operations.

The principal financial instruments are classified into the following categories:

	The Group		The Company	
	2011	2010	**2011**	2010
	EUR	EUR	**EUR**	EUR
Available-for-sale financial assets	**962,760**	968,361	**962,760**	968,361
Trade receivables & cash and cash equivalents	**28,935,833**	21,729,295	**29,364,484**	21,771,814
Financial liabilities at amortised cost	**64,246,740**	60,563,406	**51,902,846**	56,686,301
Net gains /(losses) arising from these financial instruments are classified as follows:				
Recorded in the statement of comprehensive income:				
Trade and other receivables	**377,034**	(134,599)	**377,034**	(134,599)
Cash and cash equivalents	**496,725**	220,171	**496,725**	220,171
Financial liabilities at amortised cost	**(1,678,845)**	(1,755,118)	**(1,678,845)**	(1,755,118)
Recorded in other comprehensive income:				
Available for sale financial assets	**(5,601)**	10,262	**(5,601)**	10,262

The main risks arising from the Group's and the Company's financial instruments are changes in interest rate and credit risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk
The Group has taken out bank facilities to finance its operations as disclosed in note 22 and has cash at bank balances as disclosed in note 28. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The Group is exposed to cash flow interest rate risk on bank balances and 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 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 profit before tax. There is no impact on the Group's equity. The Group considers the reasonably possible changes in interest rates to be a change in 25 basis points.

	Increase/ decrease in basis points	Effect on profit before tax EUR
2011	**+25**	**(106,950)**
	-25	**106,950**
2010	+25	(114,664)
	-25	114,664

The effect on profit takes into consideration both interest payable and interest receivable based on the bank loan and cash and short term deposits as disclosed in notes 22 and 28 respectively. The Company's exposure to interest rates is not materially different to that of the Group.

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 and short term deposits held at bank. 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, 20 and 28 respectively.

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 Credit

Notes to the financial statements
(continued)

37. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)
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.

As at 31 December 2011 EUR3.6 million (2010 – EUR5.2 million) of the Group's trade and other receivables in note 20 were due from a single entity, Air Malta plc, which is the largest single customer of the Group, accounting for 37.9% (2010 – 39.7%) of the Group's revenues.
This amount due represents 36.8% (2010 – 52.9%) of the Group's total trade and other receivables at 31 December 2011.

The Company's exposure to this customer is not materially different to that of the Group.

As at year end, Air Malta plc has been in line with its agreed credit terms. Air Malta plc is currently going through a restructuring process and as a result the European Commission has authorized Government of Malta to grant a loan facility to Air Malta plc as a temporary measure, until it can take a position on the restructuring plan which has been submitted.

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 EUR4.6 million (2010 – EUR4.8 million). The board is assessing the situation on an ongoing basis, and feels confident that whatever the outcome of the restructuring process, it will not jeopardize in any way the Group's ability to continue operations and to meet its obligations.

Liquidity risk
The tables below summarises the maturity profile of the Group's and Company's financial liabilities at 31 December 2011 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
Year ended 31 December 2011

	Total	Current	<3 months	3–12 months	1–5 years	>5 years
	EUR	EUR	EUR	EUR	EUR	EUR
Interest bearing loans and borrowings	78,168,361	-	2,722,072	2,045,788	44,277,659	29,122,842
Other payables	404,833	48,580	356,253	-	-	-
Accruals	7,115,875	1,982,107	1,387,475	3,746,293	-	-
Trade payables	1,583,017	744,018	395,754	284,943	158,302	-
	87,272,086	**2,774,705**	**4,861,554**	**6,077,024**	**44,435,961**	**29,122,842**

Year ended 31 December 2010

	Total	Current	<3 months	3–12 months	1–5 years	>5 years
	EUR	EUR	EUR	EUR	EUR	EUR
Interest bearing loans and borrowings	69,045,325	-	2,271,335	1,353,477	41,016,634	24,403,879
Other payables	77,264	9,058	68,206	-	-	-
Accruals	4,125,960	1,225,009	854,000	2,046,951	-	-
Trade payables	4,947,347	2,773,339	1,974,740	-	199,268	-
	78,195,896	4,007,406	5,168,281	3,400,428	41,215,902	24,403,879

The Company
Year ended 31 December 2011

	Total	Current	<3 months	3–12 months	1–5 years	>5 years
	EUR	EUR	EUR	EUR	EUR	EUR
Interest bearing loans and borrowings	60,093,704	-	2,220,606	1,191,433	38,124,697	18,556,968
Other payables	405,640	48,580	357,060	-	-	-
Accruals	6,040,365	1,812,110	1,268,477	2,959,778	-	-
Trade payables	1,422,130	806,678	464,016	131,298	20,138	-
	67,961,839	**2,667,368**	**4,310,159**	**4,282,509**	**38,144,835**	**18,556,968**

Year ended 31 December 2010	Total	Current	<3 months	3–12 months	1–5 years	>5 years
	EUR	EUR	EUR	EUR	EUR	EUR
Interest bearing loans and borrowings	63,603,637	-	2,233,081	1,236,592	39,195,821	20,938,143
Other payables	73,286	-	73,286	-	-	-
Accruals	3,727,768	826,818	854,000	2,046,950	-	-
Trade payables	4,371,083	2,383,248	1,794,454	-	193,381	-
	71,775,774	3,210,066	4,954,821	3,283,542	39,389,202	20,938,143

37. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (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 EUR4.3 million (2010 – EUR3.59 million) earmarked for capital expenditure projects and EUR4.7 million (2010 – EUR4.7 million) overdraft facilities.

The Group has an additional undrawn bank facility amounting to approximately EUR4.6 million (2010 – EUR12.7 million) earmarked for the Business centre project.

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 2011 and 31 December 2010.

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.

38. EVENTS AFTER THE REPORTING PERIOD

No events occurred between the end of the reporting period and the date when the financial statements were authorised for issue which are relevant to the financial statements.

Independent auditor's report

to the members of Malta International Airport plc

We have audited the accompanying financial statements of Malta International Airport p.l.c. and its Group, set out on pages eighteen to forty-nine, which comprise the statements of financial position of the Company and the Group as at 31 December 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As explained more fully in the statement of directors' responsibilities on page eight, the directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Companies Act, and for 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements 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 internal control of the Company and the Group. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company and its Group as at 31 December 2011, 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 as adopted by the EU and have been properly prepared in accordance with the Companies Act (Chap. 386).

Paul Mercieca as Director
In the name and on behalf of,
DELOITTE AUDIT LIMITED
Registered Auditor

22 March 2012

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