2008 Business Report and Financial Statements
Malta International Airport plc

Business Report
and Financial Statements
2008

Mission Statement

We promote Malta as a focal point in the global airport network, through our competent and friendly staff, using state of the art systems for all airport stakeholders to enjoy a safe, efficient and profitable enterprise.

MALTA
INTERNATIONAL
AIRPORT


save
25
up to
on Liquor
save
Malta International Airport plc

Contents

Traffic Highlights 2008

Scheduled and non-scheduled traffic

Passenger Movements	**2008**	**3,109,868**	**+ 4.7%**
	2007	2,970,830	
Aircraft Movements	**2008**	**27,070**	**- 1.0%**
	2007	27,356	
Cargo and Mail	**2008**	**18,227**	**+ 1.3%**
	2007	17,998	
Seat Capacity	**2008**	**4,313,658**	**+ 1.6%**
	2007	4,244,443	
Seat Load Factor	**2008**	**72%**	
	2007	70%	
MTOW	**2008**	**2,223,073**	**+ 3.0%**
	2007	2,158,836	

Board of Directors

Louis de Gabriele
Company Secretary

Jackie Camilleri
Director

Louis-M. St-Maurice
Director

Karin Zipperer
Chairman

Julian Jaeger
Chief Executive Officer

Markus Klaushofer
Director

Austin Calleja
Chief Financial Officer

Michael Bianchi
Director

Chairman's Statement

2008 has seen a number of dramatic changes to the global economic landscape – first the oil price hike and subsequently the financial crises have halted progress. Clearly this current economic context has impacted negatively on the prospects for air transport growth.

2009 promises to be a difficult year but we are not pessimistic because we feel we have equipped ourselves to meet the challenge and optimistic that we will be well geared to welcome the expected recovery of the current scenario hopefully by 2010.

We are thankful that our privatised structure enables us to combat the waves of these turbulent times more strongly whilst we witness other airports both in Europe and without bend to the credit crunch and open up to lease or for sale. Indeed companies such as ours have more opportunities to build revenues from a wider and ever broadening range of activities and with the benefits of substantial infrastructure become, therefore, more attractive to investors. It is becoming increasingly important in the present circumstances to project the airport brand as a centre of excellence and this is a salient factor in attracting investors and building their confidence.

We are confident that MIA is set to benefit from the expansion which is well underway in accordance to our master plan 2005 – 2025 dictating the extension of the security area which in turn has given way to the mega project we already see today that involves an initial capital investment of more than five million euros for 2008. This we moreover plan to pursue as per the programme of works detailed in the Business Plan for the current financial year. Besides the significant improvement on the terminal facilities, the airfield infrastructure too is being upgraded to facilitate more aircraft movements currently numbering close to 40,000 per year.

We believe that our business perspective offers a strong impetus since airport investments in this age of smarter technologies and enhanced business processes strengthen the competitive edge of an entrepreneurial airport. Clearly our success as the airport operators is heightened since we work in such close relation with all stakeholders for our common objective, the growth of the Tourism Industry in Malta. Alongside a strong business structure and proven stability we are regaled with the zealous dedication of our work force all cross the board. It is indeed thanks to this effective formula that we have managed to achieve the results we are submitting here and are actively coping with an adverse scenario in a positive way.

The confidence we have nurtured in our human resources is clearly reflected in our management strategy whereby we constantly endeavour to maximise on the expertise of our people in order to ensure that our targets are reached as smoothly and expediently as possible. It is no doubt gratifying to note that since privatisation MIA has taken bold steps ahead towards implementing robust objectives that have proved pivotal in forging our successful route, and to this end we feel encouraged to look forward to yet another year of well-earned and fruitful activity.

Karin Zipperer

Messaġġ miċ-*Chairman*

Is-sena 2008 rat numru ta' bidliet drammatiċi fix-xena ekonomika internazzjonali – l-ewwel il-prezz taż-żejt li laħaq livelli għolja u mbagħad il-kriżi finanzjarja li waqqfet il-progress. Bla dubju ta' xejn li dan il-kuntest ekonomiku attwali kellu impatt negattiv fuq il-prospetti tat-tkabbir tat-trasport tal-ajru.

Is-sena 2009 jidher li se tkun waħda diffiċli, imma aħna m'aħniex pessimisti għax inħossu li aħna armati tajjeb biex nilqgħu għall-isfidi li se jkollna. Barra minn hekk aħna ottimisti li ninsabu ippreparati tajjeb biex nilqgħu għall-irkupru mix-xenarju attwali; irkupru li hu mistenni sas-sena 2010.

Grazzi għall-istruttura tal-privatizzazzjoni tagħna, aħna nistgħu nikkumbattu b'aktar saħħa l-mewġ turbolanti u diffiċli ta' dawn iż-żminijiet u dan qed nagħmluh mingħajr ma jkollna nċedu għall-pressjonijiet kif ta' spiss qed jiġri lil ajruporti oħra fl-Ewropa u lil hinn li qed ikollhom jinfetħu għal kirjiet jew, saħansitra, bejgħ. Madankollu jibqa' l-fatt li kumpaniji bħal tagħna għandhom aktar opportunitajiet biex ikattru d-dħul tagħhom minn numru kbir ta' attivitajiet u dan bil-benefiċċju li infrastruttura sostanzjali tagħhom issir aktar attraenti għal skop ta' investiment. Fiċ-ċirkustanzi preżenti kulma jmur qiegħed isir ferm iżjed importanti li tipproġetta l-isem u d-dehra tal-ajruport bħala ċentru ta' eċċellenza u dan hu fattur ferm importanti biex tattira l-investiment u biex tibni aktar il-fiduċja.

Aħna kunfidenti li l-Ajruport Internazzjonali ta' Malta se jibbenefika mill-proġett ta' espansjoni li miexi b'ritmu tajjeb u skont il-*master plan* 2005-2025 li ħaseb għall-espansjoni taz-zona tas-sigurtà li sussegwentement tat l-ispunt biex seta' jsir dan il-proġett ambizzjuż. Dan il-proġett kbir, għas-sena 2008 biss, kien jinvolvi investiment kapitali inizjali ta' aktar minn tmien miljun ewro. Matul din is-sena finanzjarja qed nissoktaw bil-programm ta' xogħlijiet ta' dan il-proġett skont kif imfassal fil-Pjan tax-Xogħol. Minbarra t-titjib sinifikanti fil-faċilitajiet offruti fit-Terminal, anki l-infrastruttura tal-mitjar qed tkun imtejba b'aktar faċilitajiet u servizzi għall-moviment tal-ajruplani li fil-preżent jammontaw għal kważi 40,000 fis-sena.

Aħna nemmnu li l-perspettiva tagħna tax-xogħol u n-negozju toffri impetu pożittiv, anki fid-dawl ta' investimenti li qed jagħmlu ajruporti oħra li f'dawn iż-żminijiet qed ifittxu investiment f'teknoloġiji avanzati biex isaħħu l-kompetittività tagħhom bħala ajruporti intraprendituri

Bla dubju ta' xejn li s-suċċess tagħna bħala l-operaturi tal-Ajruport Internazzjonali ta' Malta kiber mindu ħdimna fil-qrib mal-imsieħba kollha biex ilħaqna mira komuni – iż-żieda tal-industrija turistika Maltija. Flimkien ma' struttura qawwija ta' xogħol u stabbiltà aħna mogħnija b'dedikazzjoni kbira u dan hu rifless fil-firxa tal-ħaddiema kollha tal-kumpanija. Hu allura grazzi għal din il-formula effettiva li aħna rnexxielna niksbu dawn ir-riżultati pożittivi li qed nippreżentaw hawnhekk illum; riżultati li juru li aħna qed jirnexxielna niksbu riżultati pożittivi minkejja x-xenarju diffiċli li qed ngħixu fih.

Il-fiduċja li għandhom il-ħaddiema fi ħdan il-kumpanija tagħna huma żgur riflessi fl-istrateġija maniġerjali li aħna kontinwament insaħħu biex nassiguraw li nilħqu l-miri li nistabbilixxu u dan bl-aktar mod efficjenti u bl-iżjed ħeffa possibbli. Hu ta' sodisfazzjon li wieħed jinnota li minn meta saret il-privatizzazzjoni tal-Ajruport Internazzjonali ta' Malta, ittieħdu diversi passi influenti bl-iskop li jkunu implimentati objettivi importanti li eventwalment taw kontribut qawwi għas-suċċess tal-kumpanija. F'dan il-kwadru kollu aħna nħossuna inkoraġġuti biex nissoktaw naħdmu u nħarsu 'l quddiem lejn sena oħra mimlija b'ħidma u b'attivitajiet li għandhom iħallu r-riżultati sodisfaċenti.

Karin Zipperer

Chief Executive Officer's Review

In the course of the year under review Malta International Airport may safely be considered to have achieved admirable results notwithstanding the emerging global economic difficulties epitomised by the oil price hike.

Indeed, beating the 3 million mark was no mean feat especially when considering that the registered increase of 4.7% is being compared with 2007 which was undoubtedly a record year. Most significant is the seat load factor which proved to be the driving force behind last year's results.

Nevertheless at the wake of this turbulent time we are moving ahead with confidence trusting that our zealous endeavours will enable us to overcome the threats and welcome the opportunities. To this end we have invested to expand and refurbish our airport terminal in anticipation of better times, we trust, before long. This ambitious project which is nearing completion and is scheduled to be fully operational by the forthcoming Summer translates into a 5.5million euro investment and is moreover intended to create a vaster area to accommodate more retail space that will alleviate any reduction of aviation revenue.

It is no doubt with some sense of pride that we introduce to our shareholders the modernisation project of the terminal which is directed to classify Malta International Airport amongst the top-most airports in its category. The process has been complex but so far has been successful in terms of the positive feedback we have received with regards to the manner in which the works have been ongoing, limiting discomfort to patrons and progressing well on schedule.

We have promised an airport experience verging on our targets of excellence. Evidently these improvements have not merely embellished the structure and terminal building but more importantly enhance to a significant degree our clients' comfort and convenience since our ultimate aim remains essentially our customers' satisfaction. All the more so, this is expected to have a positive impact on future results given that all the space allocated for retail outlets in the expansion area has been rented out at more profitable conditions which should render a considerable increase in non-aviation revenues.

This year may not be an easy ride for tourism but we have prepared the best we can for the challenges we foresee also perceiving the opportunities. Ultimately we believe in consolidation and the reform we have accomplished is not about dismantling what we already achieved but necessarily equipping ourselves to meet the challenges for the future.

A positive outlook on the future prompts us to record that our modernised terminal and the expansion underway will most comfortably meet increases expected in the medium term since the infrastructure would be ready to handle over a thousand passengers per hour. This mark should suffice for the next five years on the levels of comfort set by international standards especially when one considers the works scheduled for the next phase.

Our plans are on the drawing board, but ever conscious of the precarious current situation which we are constantly monitoring thoroughly, our corporate responsibilities dictate that we advance cautiously and prudently on any future investments. All notwithstanding, we did not refrain from setting-up Sky Parks as an MIA Company which should resolve parking logistic difficulties at the airport and more importantly provide a high level service and comfort to our customers equally giving a substantial return.

We are confident that our optimism is not ill-founded. We trust that together with all the other stakeholders who have the interests of tourism in Malta at heart, whilst cooperating as a team we will be strong enough to weather the storms and register success for the company and the Country at large.

Julian Jaeger

Messaġġ mill-Kap Eżekuttiv Ewlieni

Matul is-sena 2008 l-Ajruport Internazzjonali ta' Malta, minkejja d-diffikultajiet ekonomiċi internazzjonali li bdew jitfaċċaw b'konsegwenza tal-għoli tal-prezz taż-żejt, xorta rnexxielu jikseb riżultati ammirevoli u tajbin.

Il-fatt li l-Ajruport, tul l-2008, irnexxielu jimmaniġġja 'l fuq minn tliet miljun passiġġier hu fattur pożittiv. Dan aktar u aktar għax iż-żieda ta' 4.7 fil-mija tal-passiġġieri fuq is-sena ta' qabel trid tittieħed fid-dawl li anki l-2007 kienet waħda li fiha nkisbu riżultati rekord. Sinifikanti għal dan is-suċċess kienet iż-żieda tal-passiġġieri fit-titjiriet.

Fid-dawl tas-sitwazzjoni diffiċli li d-dinja qed tħabbat wiċċha magħha bħalissa, l-Ajruport qed jissokta jimxi 'l quddiem. Dan b'fiduċja li l-isforzi qawwija li qed nagħmlu se jwassluna biex ngħelbu d-diffikultajiet biex inkunu nistgħu nkomplu nisfruttaw pożittivament l-opportunitajiet.

B'dan f'moħħna bdejna bi proġett ambizzjuż ta' espansjoni u tiġdid tat-Terminal tal-Ajruport. Dan biex nagħmluh bi tħejjija għal żminijiet aħjar. Dan il-proġett, li issa wasal fil-fażijiet finali tiegħu, hu programmat li jitlesta qabel is-sajf li ġej. Hu proġett kbir b'investiment ta' 5.5 miljun ewro. Hu wkoll proġett li l-iskop tiegħu hu li joħloq żona akbar għal iżjed ħwienet biex hekk jittaffa xi tnaqqis fid-dħul li l-Ajruport jista' jkollu mill-avjazzjoni.

Bla dubju ta' xejn, u dan nistqarru lill-azzjonisti b'sodisfazzjon kbir, dan il-proġett ta' immodernizzar tat-Terminal hu mmirat biex l-Ajruport Internazzjonali ta' Malta jkun ikklassifikat fost l-aqwa ajruporti fil-kategorija tiegħu. Il-proċess tax-xogħol kien kumpless, imma, ta' min jgħid, kellna reazzjonijiet pożittivi. Irċevejna kummenti inkoraġġanti għall-mod kif mexxejna ix-xogħol bl-inqas inkonvenjent possibbli. Dawn ix-xogħlijiet jinsabu skont kif programmati u għaddejjin b'ritmu tajjeb.

Aħna konna wegħidna ajruport li joffri servizzi ta' eċċellenza. Dan qed inwettquh bit-titjib mhux biss fl-infrastruttura u l-bini tat-Terminal, imma wkoll, u dan hu aktar importanti, fit-titjib konsiderevoli tal-kumdità u s-servizzi li noffru. Għax fuq kollox l-iskop ewlieni tagħna jibqa' li noffru servizz għas-sodisfazzjon tal-klijenti tagħna. Dan kollu għandu jħalli riżultati tajbin fil-ġejjieni, l-aktar meta jitqies li l-ispazju allokat għall-ħwienet fiż-żona l-ġdida ġie mikri b'kundizzjonijiet aħjar. B'hekk għandu jikber ukoll id-dħul mill-attività mhux konnessa mal-avjazzjoni.

Din is-sena li ninsabu fiha m'hux se tkun waħda faċli għat-turiżmu, imma aħna lesti għall-isfidi li għandna quddiemna kif ukoll biex naħtfu l-opportunitajiet li niltaqgħu magħhom. Aħna nemmnu li għandna nkunu magħqudin għax r-riforma li waslet biex titwettaq m'għandhiex l-iskop li żżarma dak li ksibna u għamilna, imma li tħejjina u tippreparana aktar biex niffaċċjaw aħjar l-isfidi tal-futur.

B'ħarsitna lejn il-futur, nistqar li t-Terminal modern li għandna, flimkien mal-espansjoni li qed issir, għandhom iwasslu biex jakkomodaw b'mod tajjeb iż-żidiet mistennija fis-snin li ġejjin. B'dan l-investiment fl-infrastruttura se nkunu nistgħu nimmaniġġjaw aktar minn elf passiġġier kull siegħa għal tal-inqas l-ħames snin li ġejjin skont il-livelli ta' kumdità stabbiliti internazzjonali. Dawn il-miri nkompli nilħquhom biex xogħlijiet ipprogrammati għall-fażi li jmiss.

Il-pjan tagħna għall-futur huma ġa mfassla, imma fid-dawl tas-sitwazzjoni internazzjonali, nassiguraw li kull investiment isir bl-aktar mod kawt u prudenti. Dan anki b'responsabbiltà lejn l-imsieħba u l-azzjonisti. Għalhekk waqqafna l-kumpanija Sky-Parks fi ħdan l-Ajruport Internazzjonali ta' Malta li għandha taħdem biex issolvi d-diffikultajiet loġistiċi tal-parkeġġ. Imma mhux biss, qed taħdem ukoll biex tipprovdi servizz tal-ogħla kwalità lill-klijenti kollha.

Aħna fiduċjużi li l-ottimiżmu tagħna mhux fieragħ. Ilkoll flimkien kif ukoll mal-imsieħba l-oħra li għandhom għal qalbhom il-veru interess tat-turiżmu f'Malta, nistgħu nkomplu naħdmu u nikkollaboraw bħala tim biex nkunu b'saħħitna biżżejjed biex nilqgħu u ngħelbu l-maltemp u hekk inkomplu niksbu aktar suċċess b'riżq il-kumpanija u b'riżq il-pajjiż.

Julian Jaeger

Organisation structure

Chief Executive Officer
Julian Jaeger

Finance, IT, Networks, IM, Procurement, Met Office
Austin Calleja

Communications & Events
Rosette Fenech

Security Services
Mario Cuomo

HR & Administration
Roderick Bajada

Technical Services
Maj. Charles Abela

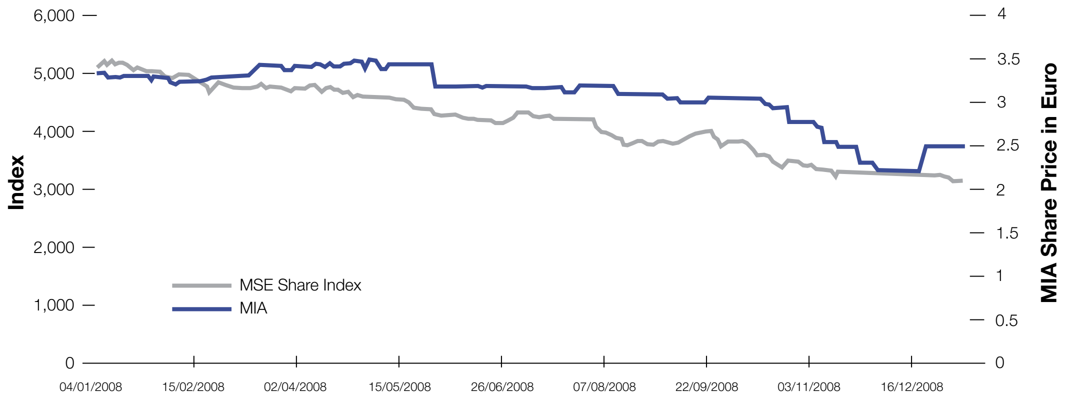
Non Aviation Services
Mario Psaila Savona

Airline Marketing
Alan Borg

Airport Operations
Joseph Schiavone

MSE Share Index and MIA

In line with the rest of the local quoted shares on the Malta Stock Exchange, the Malta International Airport plc shares fell from □3.21 to □2.50, a decrease of 22.1%. The MSE Index for the same period fell from 4988.697 to 3208.215, a decrease of 35.7%. This is a clear indication that MIA shares faired better than in the Index throughout 2008 as highlighted in the graph below. The Market Weighting of MIA shares at year-end was 3.94% compared to the 3.80% of the previous year.



Overview 2008

Aviation

The number of passengers using Malta International Airport increased by 4.7% surpassing the 3 million mark for the first time with a total of 3,109,868 passenger movements. This increase is primarily owed to an increase of 2 percentage points in seat load factor from 70% in 2007 to 72% in 2008. The overall seat capacity also registered an increase equivalent to 1.6%, albeit aircraft movements dropped slightly by 1%. This record was brought about predominantly by an intensification of low cost carriers operating larger aircraft as well as the reshuffle of Air Malta's aircraft which helped to improve marginally on last year's total seat capacity.

Our national airline Air Malta has secured an increase of 6.8% resulting in a growth of over 110,000 passenger movements in comparison to the 2007 figures with a notable boost in seat load factor of 7%. The low-cost carriers in 2008 provided important support with an increase in passenger movements of over 380,000 translating into an increase of 139% on last year. The charter carrier segment pursued its downward trend losing 24% or a total of 90,000 passenger movements. The prevalent loss in this segment was felt mostly in the UK Market where a decrease of over 52,000 passenger movements (- 30.7%) was registered when compared to the 2007 performance.

Cargo and mail handled at MIA during 2008 was 18,227 tonnes; resulting in a growth of 1.3% over the previous year. With regards to general aviation, passenger movements deriving from

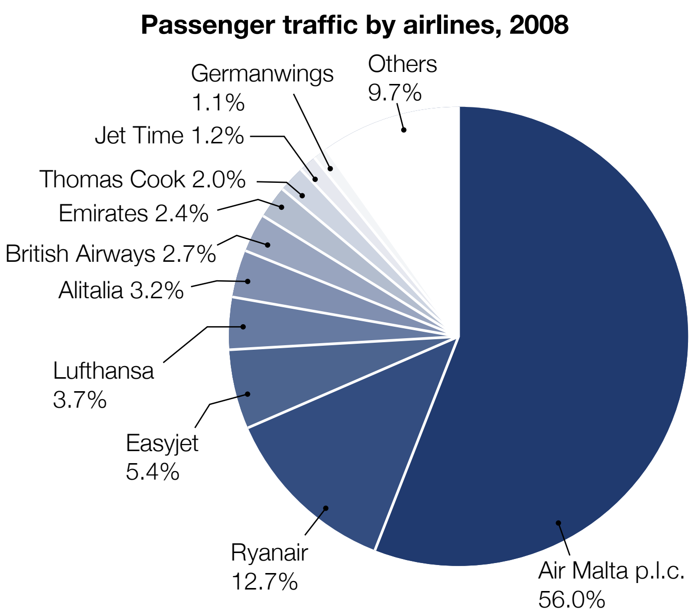
this particular sector decreased slightly by 1.2%, whilst aircraft movements were 2.4% higher than 2007 reaching 2,902 in 2008. It is expected that further to current development plans at MIA general aviation activity should evolve positively in the near future.

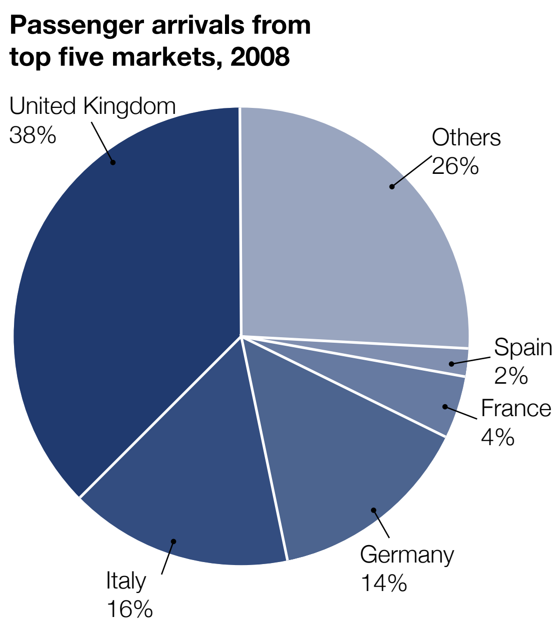
In 2008 seven airlines were beneficiaries of this scheme. These were Ryanair, Clickair, Vueling, Norwegian Airshuttle, Germanwings and Air Malta. The strategic markets' performance in 2008 was as follows:

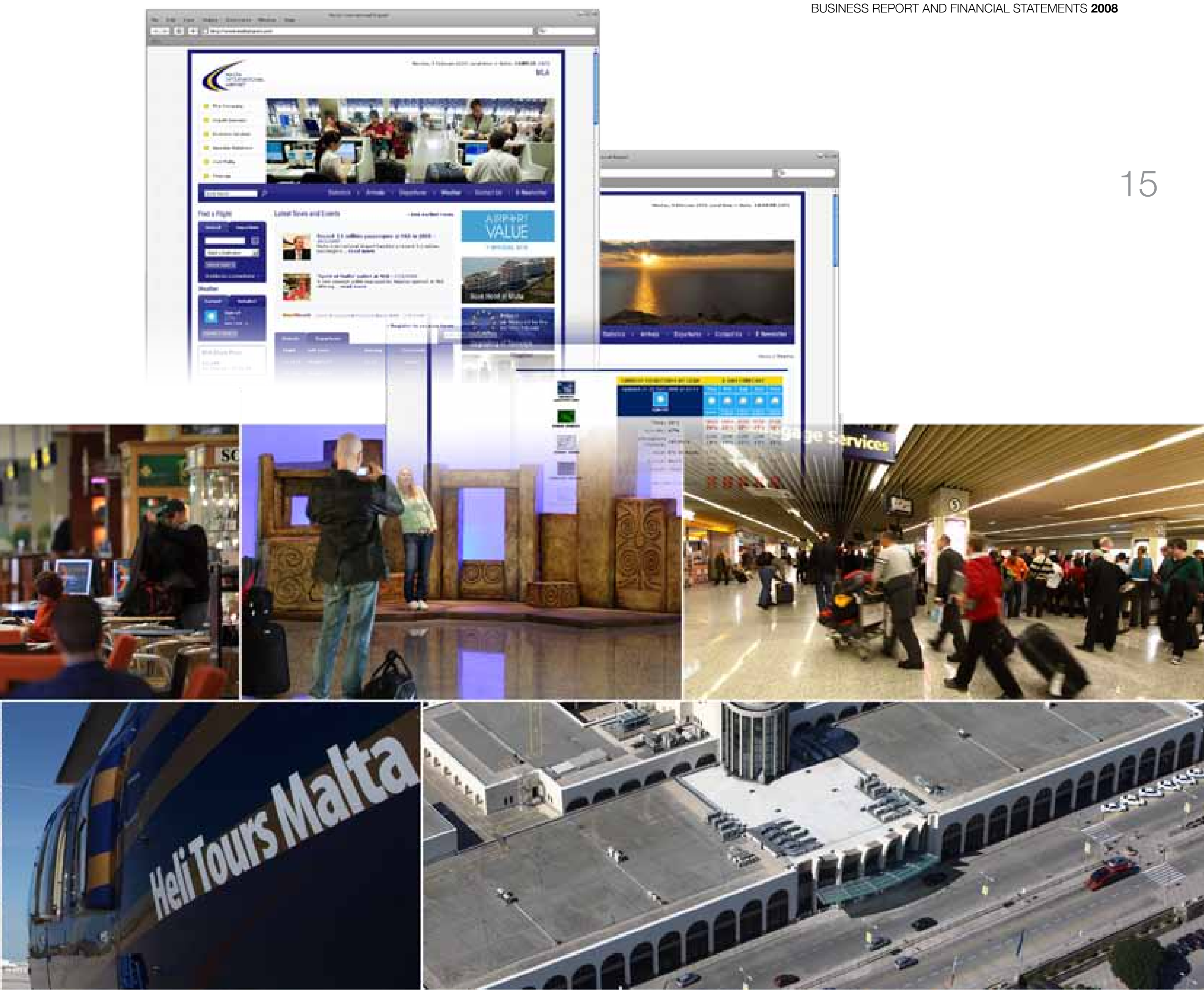
Incentive Scheme

The pivotal marketing strategy at MIA has concentrated on pursuing our policy of focusing on markets that have identified as being underserved so as to expand services from Malta and bring about growth in traffic movements. The predominant markets which are constantly being tapped are the Iberian Peninsula, Scandinavia, Eastern Europe, and Eastern Germany. Airlines commencing services from these destinations as well as from destinations which offer an entirely new operation benefit from incentives that are applied over a three-year span. It is pertinent to note that this incentive scheme is currently being based on our tariff structure, which, since 2006 has remained unaltered. In 2008 seven airlines were beneficiaries of this scheme. These were Ryanair, Clickair, Vueling, Norwegian Airshuttle, Germanwings and Air Malta. The strategic markets' performance in 2008 was as follows:

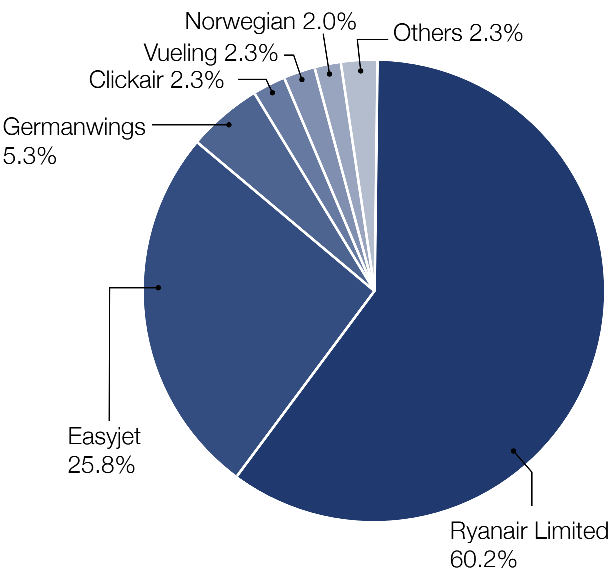
Overview 2008







Top five Low Cost Carriers, 2008



Business Mix

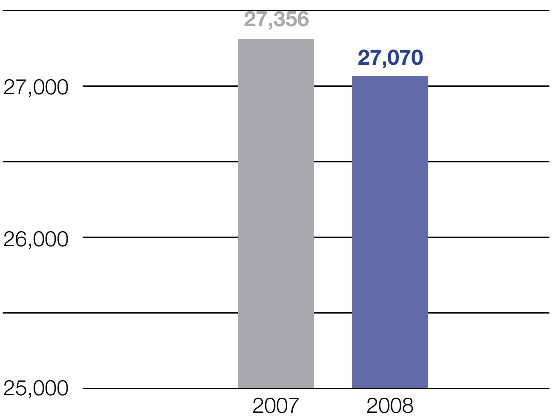
Legacy Carriers
69.7% (73.8% in 2007)
Charter Carriers
9.3% (17.0% in 2007)
Low-Cost Carriers (LCC's)
21.0 % (9.2% in 2007)

Strategic Markets

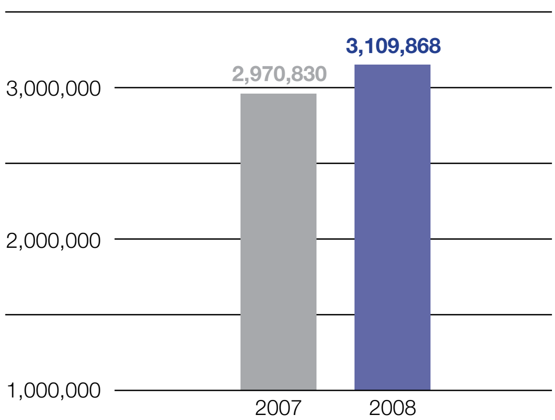
Spain
35,182 additional passengers
Girona, Madrid and Barcelona
Clickair, Vueling and Ryanair
Scandinavia
22,070 additional passengers
Oslo and Stockholm
Norwegian Airshuttle and Ryanair
Eastern Germany
6,535 additional passengers
Leipzig
Air Malta

Overview 2008

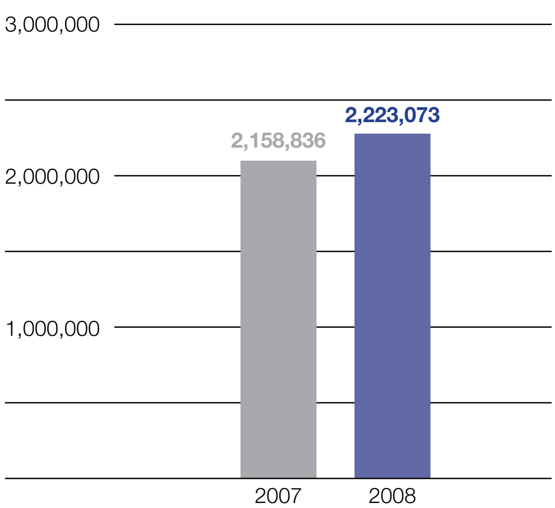
Aircraft movement



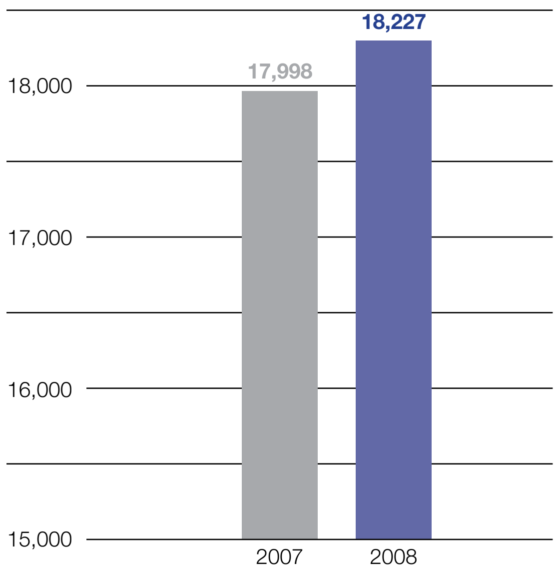
Passenger Movement



MTOW



Cargo and Mail



Overview 2008

Operations and HR

No doubt these results would never have been achieved without the zealous input of our work force all across the board. To this end MIA's emphasis on staff development is constantly evident in all sectors of its operations. Indeed no effort is spared to invest in human resources and to engage our employees in professional training in order to keep them updated in their various fields of expertise as well as to assist them in advancement within the Company.

The Airport Operations department has organised an intensive programme directed to train all airport employees who operate both landside and airside on the airport's Schengen Treaty obligations for passengers travelling by air. Respective staff members were also introduced to revised procedures regarding improvements and modifications to the information system at the relocated customer service counter on landside as well as the separation of walk-in stands and the flow of passengers and departure gate facilities on airside. In addition training in new airside traffic and coach management was imparted to the relevant staff in view to the totally new departures and arrivals gate system.

Further specialised training on the operations level was undertaken for the benefit of those employees deployed to assist persons with reduced mobility given the additional facilities recently launched by virtue of the establishment of international quality standards for assistance. This entailed the designation of dedicated points

of arrival and departure and also the training of the outsourced service providers.

Other salient areas which required thorough training regarded the revised process as well as the coordination with the customer airlines and entailed the common check-in between Air Malta and MIA. With effect from the 1st July last year passengers travelling on Air Malta are now able to check-in three hours prior to their scheduled time of departure from dedicated check-in desks, thereafter a common check-in procedure has been introduced in summer with a maze directed by MIA customer service personnel through to the common check-in facilities. Furthermore Air Malta, Lufthansa and British Airways are now processing an on-line check-in system with the facility of baggage drop-off points.

On the Human Resources levels, MIA's commitment to promoting outstanding facilities has led to the establishment of interdepartmental working groups that ensure employee involvement and effective input at all levels. To this end whilst reviewing the company's departments' structure for a strategic way forward, shift patterns are being revised to optimise productivity, and employee grades, also manning levels are being updated in a complex exercise directed to secure employee motivation and satisfaction. To this end MIA has successfully negotiated a new collective agreement for an unprecedented seven year period. This was unanimously approved and covers, *inter alia*, an accurate payroll forecast until 2013, a retirement benefit, and life insurance coverage including death by any cause.

Overview 2008

Non aviation

In view to exploiting all possibilities in order to enhance our commercial activity with the ultimate aim of generating more revenue streams, the retail area available to concessionaires has been increased from 4,000 square metres by another 2,400 square metres spread over 1,200 square metres on land side and 1,200 square metres on air side. This translates into circa 50% of the total 5,000 square metres of expanded surface area. Having commenced the project in 2008, this expansion has generated an additional commercial revenue of €455,669 for the company.

The NUANCE Group (Malta) Ltd have increased their presence at MIA with a new retail area of 670 square metres. NUANCE are leaders in airport retailing worldwide and their novel concept for MIA will provide passengers with an enhanced travel and shopping experience whereby a variety of products ranging from a now combined perfume, skincare and cosmetic section to confectionery, tobacco, liquor and international wines section as well as a toy shop are available in a virtual shopping mall walk-through in the Schengen Departures Area.

Since the commencement of their activity in Malta, NUANCE has developed a very strong retail operation and has manifested professional know-how and expertise in sales techniques in the airport retail field at the service of travellers, also contributing significantly to MIA's results which indeed confirm the fruitful partnership

that has evolved. In fact this new concept store at the airport is the result of the successful conclusion of an agreement which was signed recently between MIA and the NUANCE Group whereby NUANCE are guaranteeing a minimum of 25.5 million Euros revenue to MIA up to the end of 2014 on maturity of the contract.

In addition to this NUANCE have won a public tender for another 145 square metres of retail space to accommodate their new idea of "The Spirit of Malta" which offers an extensive range of traditional Maltese products all under one roof. The innovative concept is typical of NUANCE stores which are being opened in major Airports throughout the world. At "The Spirit of Malta" on a surface area of 145 square metres travellers may purchase a variety of souvenirs of Malta which are genuinely characteristic of the Islands' traditions, these include, pottery, glassware, lace, stone carved items and local crafts. Moreover constant food and wine tasting takes place for customers to sample indigenous delicatessen, wines and liqueurs and it is open on a 24 hour basis seven days a week in the Schengen departures area.

Moreover several other renowned brands have joined the MIA fold, Classic Group has teamed up with Optical (CCSG) occupying an area of 100 square metres donning the terminal's main entrance with an array of prestigious jewellery and designer eye wear, alongside the first Samsonite Franchise outlet in Malta now spread over 102 square metres at MIA. Air Mode Ltd are the representatives for Samsonite as well

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as the French Connection franchise, the new fashion outlet now operating from the non-Schengen extension and also for the Designer wear shop which will offer up-market brands on an area of 119 square metres.

The restructuring of the Terminal has moreover allowed the addition of a variety of restaurants which shall now be serving patrons in the recently set-up MIA Food Court, a new catering experience on the minus-one level. At Christmas time the first to open was Burger King, this is being followed by an Irish Pub, an Italian pizza and pasta outlet an Asian restaurant as well as a KFC eatery. This variety of cuisines has all the ingredients to attract both passengers and the non-travelling public to a comfortable area seating 400 diners.

Furthermore Quality Catering and Retail Services Ltd has also commenced the operation of a new convenience store spread over an area of 279 square metres selling an extensive range of goods ranging from perfumes and skincare to groceries also including a stationery, a florist as well as a pharmacy. “8 Till Late” is another new shopping concept at the airport for the service of travellers and locals alike. This has consequently enabled the refurbishment and relocation of the Connections Cafeteria in the welcomers hall to a more advantageous position on a surface area of 100 square metres. Moreover Jet Express in the departures area has extended the popular external terrace to seat 200 clients as well as its internal space to seat an additional 120 clients. The Hard Rock Café, after it had first opened

in the departures area of the airport in Summer 2003 as the very first Hard Rock Café ever to operate in an airport terminal, has now been extended to strengthen its image in the Schengen departures area from a small 12 square metre outlet selling Hard Rock memorabilia, to a café-bar the following year. The elegantly refurbished catering establishment now has a 265 square metre area, seating 96 patrons and offers an extensive range of food, beverages and Hard Rock memorablia.

With regards to other services which are now being offered to enhance our comprehensive service profile for our clients it is pertinent to mention the 21st Century KD Travel agency which has been opened in conjunction with Lufthansa, the DC Aviation and Eagle Associates Malta Ltd., that have opened their representation booths to service general aviation and also Egyptair now operating from MIA, as well as the Melita Cable outlet and the MaltaTransport desk in the luggage reclaim area whereby arriving passengers may now avail themselves of a pre-booked transfer service to numerous hotels in Malta and Gozo. Moreover, service contracts have been concluded successfully with seven car hire companies that now operate their reception booths relocated in the Welcomers' Hall. All this has been made possible through the ongoing expansion project.

Furthermore, as a result of MIA having taken over the operation of the car park, a significant increase in turnover was registered from this source resulting in approximately €400,000.

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Technical and Security

Further enhanced services included through the expansion and modification of the terminal building were the new business lounge which has not only been enlarged considerably to accommodate an increased membership of the La Valette Club, but more importantly was rebranded and refurbished completely for more comfort and with additional services to include also a superior category of membership with enhanced benefits through the 'High Altitude' scheme. Furthermore, in the departures area the security lanes have been doubled to include four x-ray machines that will expedite the screening of passengers and related hand luggage, whilst on the 31st March 2008, with the implementation of the Schengen agreement, MIA introduced the operation of two transit points with a complete security set-up as required for transiting Schengen and non-Schengen passengers. Moreover additional security equipment and CCTV cameras and recorders have been installed to ensure the safety of passengers. A WiFi service is being provided free of charge throughout the terminal building, whilst a new car park management system has been introduced to operate the new MIA Company Skyparks Ltd. Besides this a new comprehensive service is now being provided to persons with reduced mobility according to the recently introduced EU regulation and all trolleys have now been equipped with a coin-operated mechanism to match international standards. Finally MIA will now have its own

modern multifunctional conference room as well as a new chapel which has been relocated on the minus-one level.

On the airfield infrastructure extensive improvements have included the upgrading of taxiways in order to ensure access for all types of aircraft and to increase capacity. New flood lighting was installed on Park 4 as well as on the new taxiway for a 1,000 metre run and 10,500 square metres of pavement extensions which works were all accomplished in 2008. As part of this expansion, modifications were undertaken to link the aircraft movement area with the Lufthansa Technik maintenance hanger and apron in order to facilitate the operational requirement of white bodied aircraft.

Communication and Events

Indeed the performance for 2008 was positive and the results have warranted that the now customary attention dedicated to MIA's commitment to Maltese society is maintained in terms of cultural and social support and the Company's Corporate Social Responsibility. Malta International Airport has earned good repute for its leading presence in contributing towards the welfare of Maltese society, actively supporting Malta's culture, sports activities and environmental initiatives.

To this end, the Company's environmental vision extends beyond its organisational borders, providing sponsorship for environmental education projects and other related national events. Also MIA has for years offered a

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substantial part of its airside green area for production of silage by a local co-operative of milk producers. Most costs for supervision and airside co-ordination of cultivation and harvesting activities are absorbed by the airport. Environmental management at MIA is influenced by the operating structure and controlling of landside and airside operations as well as business processes and infrastructural constraints. Core environmental processes are understandably driven by State legislation and aviation related EU directives and regulations. In MIA's case, however, obligations for legislative compliance are frequently complemented by scope for voluntary initiatives. Therefore support of related awareness activities are regarded positively. Last year, MIA together with the Ministry for Resources and Rural Affairs with the aid of the British Council's ZeroCarbonCity set-up an exhibition on climate change in prominent areas around the terminal to maximise exposure on the issue and to raise public awareness.

In the cultural field MIA was the main sponsor of a full-scale concert by the prestigious Wiener Akademie concert that performed at the Manoel Theatre on the occasion of the Austrian national day. Furthermore emphasis has once again been laid on the restoration of the Bir Miftuh medieval chapel which since the commencement of the construction of the present terminal building has been taken under the guardianship of MIA together with Din l-Art Helwa, the NGO that safeguards the preservation of Malta's

National heritage. The titular painting of Santa Marija ta' Bir Miftuh was until recently being restored at Malta International Airport where, exceptionally, a complete restoration laboratory was set-up, and arriving passengers could observe the restorers at work. The frescoes' fragments along with the altar in Maltese painted stone are also being restored after a scientific analysis was carried out in the chapel by the *Ditta Sante Guido e Giuseppe Mantella Restauro Opere d'Arte* that was entrusted with the restoration.

In the Sports arena MIA has pursued its sponsorship of the Malta Olympic Committee in accordance to the corporate agreement. The MOC Elite Athlete Programme now falls under the jurisdiction of the centre of excellence and includes new categories in nine sports disciplines comprising Athletics, Squash, Judo, Sailing, Shooting, Cycling, Tennis, Golf and Wrestling. Bearing in mind the good results obtained by Maltese Athletes in the last 12 years, the centre will continue to ensure that the best coaching, expertise and environment is provided to aid athletes' in their preparations. Such investment and programmes by the Maltese Olympic Committee will be contributing to the development of sport, raising the levels and training of athletes for top level competitions. Finally, once again, MIA has supported the Malta Journalism Awards sponsoring specifically the Sports Photography section.

Key data

	The Group		The Company		
	Financial Year 2008 (ended 31 December 2008)	Change in %	Financial Year 2007 (ended 31 December 2007)	Change in %	Financial Year 2006 (9 months) (ended 31 December 2006)
Financial Indicators *(in □ million)*					
Total turnover	45.11	1.7	44.36	35.5	32.74
Thereof Aviation	31.29	0.8	31.06	30.5	23.80
Thereof Non-Aviation	13.82	3.9	13.30	48.9	8.93
EBIT	15.38	(2.9)	15.84	26.9	12.48
EBIT margin in %	34.1	(4.5)	35.7	(6.3)	38.1
EBITDA	20.30	(0.1)	20.32	30.0	15.63
EBITDA margin in %	45.0	(1.7)	45.8	(4.0)	47.7
ROCE in %	6.37	(39.5)	10.54	28.2	8.22
Net Profit	8.66	(2.9)	8.92	22.9	7.26
Cash flow from operating activities	6.56	(61.7)	17.14	148.5	6.90
Equity	52.41	1.3	51.72	3.1	50.18
Balance sheet total	122.81	2.0	120.46	4.5	115.26
Capital Expenditure	9.88	79.2	5.51	50.2	3.67
Taxes on income	5.02	(2.9)	5.17	23.9	4.18
Employees	364	0.6	362	(4.5)	379
Industry Indicators					
MTOW in million tonnes	2.22	3.9	2.14	33.8	1.60
Passengers in million	3.11	4.7	2.97	30.3	2.28
Thereof transfer passengers	3,810	(24.3)	5,036	18.2	4,259
Flight movements	27,070	(1.0)	27,356	34.6	20,323
Cargo in tonnes	16,990	0.5	16,910	27.3	13,280
Seat occupancy in %	73.2	4.7	69.9	6.2	65.8
Stock Market Indicators					
Shares outstanding in million	67.65	0.0	67.65	0.0	67.65
P/E ratio	19.53	(19.9)	24.38	(18.0)	29.72
Earnings per share in □	0.128	(2.9)	0.132	22.8	0.107
Net Dividend per share in □	0.117	0.7	0.1162	6.2	0.109
Net Dividend yield in %	4.680	29.4	3.616	5.4	3.431
Pay-out ratio as a % of net profit	91.35	3.7	88.12	(13.6)	101.97
Market capitalisation in □ million	169.13	(22.2)	217.46	0.7	215.89
Stock price: high in □	3.38	2.9	3.28	(9.6)	3.63
Stock price: low in □	2.20	(28.2)	3.06	(0.4)	3.07
Stock price in □	2.50	(22.2)	3.21	0.7	3.19
Market weighting in %	3.94	3.7	3.80	(28.3)	5.30

N.B. The Financial Indicators of the financial year 2008 are for The Group whereas the Financial Indicators for the two previous years are for The Company.

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Directors as at 31.12.08:	Karin Zipperer	(Chairman)
	Jackie Camilleri	(Deputy Chairman)
	Julian Jaeger	(Chief Executive Officer)
	Austin Calleja	(Chief Financial Officer)
	Louis-M. St-Maurice	
	Markus Klaushofer	
	Michael Bianchi	
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	
Auditors:	Deloitte, 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.	

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Directors' Report

Year ended 31 December 2008

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

Principal activities

The company's principal activities are the development, operation and management of Malta International Airport. Upon privatization, Malta International Airport plc was granted a 65 year concession to operate Malta's only airport, this concession commenced in July 2002. On 11 February 2008, Malta International Airport plc set up a 100% subsidiary, Sky Parks Ltd to take over and operate the car parks of the airport. Malta International Airport plc is also involved through a 10% shareholding interest in VISET Malta plc, a company set up to develop the Valletta Waterfront and operate a cruise liner terminal in Grand Harbour.

Performance review

The total passenger movement at Malta International Airport for 2008 increased from 2.97 million to 3.11 million, an increase of 4.7%. This is the highest number of passenger movements ever recorded at the Airport. The aircraft movements for the same period was however, 1% less than 2007 which indicates that the aircraft load factor in 2008 was higher than in 2007. There was also a marginal increase of 1.3% in cargo and mail handling. The airport handled a record 18,227 tons during the year compared to the 17,998 tons in 2007.

In the first six months of 2008, passenger traffic was very strong compared to the same period of the previous year. The first quarter of the year was particularly strong with increases of 23% and 19% for January and February 2008. The second quarter of the year also showed sustained increases averaging around 10.6% more than the previous year. However, with the first signs of a looming global economic downturn, the passenger figures dropped to 2007 levels and eventually in the last quarter of the year decreased significantly to 6.5% less than the previous year. Traffic from the UK was particularly hit. Notwithstanding this, the home carrier, Air Malta increased the number of passengers flown to and from Malta by 6.8%, and for 2008 registered a 56% share of the total number of passengers, 1% more than last year. Routes opened in the last quarter of 2007 such as Gerona, Stockholm, Treviso, as well as more established routes such as Luton, Dublin, Madrid, Barcelona and Pisa contributed significantly to the increase in passenger traffic during 2008.

The results of the Group for the year ended 31st December 2008 show a profit before taxation of €13,687,086 (profit before taxation of the Company for the year ended 31st December 2007 – □14,096,809). This is a decrease of almost 3% in profit compared to the same period last year; in a year where there was an increase of 4.7% in passengers but there were special reasons leading to this decrease as described below.

The revenue has increased from □44,356,855 of the Company in 2007 to □45,106,348 of the Group in 2008, an increase of □749,493. This is the result of an increase in additional regulated fees because of the increase in passenger traffic albeit dampened by rebates on the tariffs given as incentive schemes on new routes; an increase in car park fees due to the taking-over of the car park concession; an increase in commercial revenues and new revenue as a result of the introduction of a PRM (Persons with Reduced Mobility) fee starting from 1st July 2008.

Operating costs were □24,801,965 (31 Dec 2007 – □24,036,450); an increase of just over □765,000 compared to last year. This is due to a number of factors most notably; an increase in staff costs due to the signing of a new collective agreement in 2008 valid for a six year period and an increase in maintenance costs. The largest increase in costs however was due to the introduction of the PRM. The Group paid over □777,000 in PRM charges to ground-handlers for the second six-month period of the year and only managed to recuperate some of this additional expense during the same period. It is the intention of the Group to increase the PRM charges in 2009 to make good for the losses incurred in the coming years. On the other hand there were significant cost savings in the use of utilities and in administration costs.

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Directors' Report

Year ended 31 December 2008

Another factor that had an adverse effect on the profit of this year as compared to 2007 was the increase in depreciation charge to €4,920,162 in 2008 when the charge for 2007 was €4,483,021. The increase of €437,141 was due largely to the investment made in additional plant, equipment in the new terminal building extension as well as the resurfacing of the main runway and construction of new taxiways in 2008.

Outlook

Given the current economic situation, we do not expect passenger number to reach 2008 levels next year. In fact, current projections based on schedule commitments made by airlines for 2009 show that there could be a decrease in passenger numbers for 2009 of between 5% to 6%. This means that the volume of traffic will probably retract to the 2007 levels or slightly below that figure. These predictions take in consideration the sharp decline in passenger numbers experienced in January and February 2009 and the drop in charter carriers which will continue in the remaining month of the first quarter of the year.

In the meantime, the Group will continue with its investment program as outlined in the Business Plan and conclude its program of works in the air terminal with the aim of increasing the capacity of the air terminal and at the same time increase the retail floor space to generate more commercial revenue. The third and final phase of the extension of the retail shops and the food and beverage outlets in the departure lounge and the land-side areas will be completed by June 2009 in time for the busy summer months. We expect the revenues generated from the increased commercial activities of these areas to compensate for the loss of aviation revenue due to the reduction in passenger traffic.

The Group is also constructing a new 520-slot car park near the air terminal to increase the car parking capacity of the airport in an effort to cater for peak car parking requirements. Another project earmarked for 2009 include the replacement of the air conditioning units of the air terminal with more energy efficient equipment to reduce energy costs and the upgrading of the high tension power network of the airport to enhance reliability.

Share capital

The Company did not modify the structure of its share capital during the year. No further issues were made nor did the Company acquire ownership of, or any rights over, any portion of its own share capital.

Results and dividends

The financial results of the Group and the Company for year ended 31 December 2008 are shown in the income statement on page fourty-two. The profit of the Group for the year after taxation amounted to €8,664,246.

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 €0.057 per share (gross €0.08769) on all shares settled as at close of business on Friday, 8 May 2009 which dividend shall be paid not later than the 29 May 2009.

Directors

The directors who served during the year were:

Karin Zipperer, Chairman
Jackie Camilleri, Deputy Chairman
Julian Jaeger, Chief Executive Officer
Austin Calleja, Chief Financial Officer
Louis-M. St-Maurice
Markus Klaushofer
Michael Bianchi

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

The interests of the directors holding office at the end of the year in the ordinary shares of the company are shown in note 26 to the financial statements. None of the current directors had a material interest in any contract of significance to which the company was a party during the financial year.

Auditors

A resolution to reappoint Deloitte as auditors 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 and signed on its behalf on 12 March 2009 by:

Karin Zipperer
Chairman

Julian Jaeger
Chief Executive Officer

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 at the end of each financial year and of the profit or loss of the company 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 prudent; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

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 which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of responsibility pursuant to Listing Rule 9.44.b issued by the Listing Authority

We confirm that to the best of our knowledge:

a. in accordance with listing rule 9.44e1 the report and annual separate and consolidated financial statements give a true and fair view of the financial position as at 31 December 2008, financial performance and cash flows for the year then ended, in accordance with accounting standards adopted for use in the EU for annual financial statements; and
b. the Directors' report includes a fair review of the information required in terms of Listing Rule 9.44.c.2.

Austin Calleja
obo/ directors

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Corporate Governance – Statement of Compliance

1. Introduction

Pursuant to Listing Rule 8.36 of the Listing Rules issued by the Listing Authority, Malta International Airport plc ("the Company") as a company whose equity securities are listed on a regulated market should endeavour to adopt the principles of good corporate governance contained in Appendix 8.1 of the Listing Rules. In terms of Listing Rule 8.37 and 8.38 the Company is bound to include a report providing an explanation of the extent to which it has adopted the principles. For the purposes of listing rules 8.37 and 8.38 the Company is hereby reporting on the extent of its adoption of the principles contained in Appendix 8.1 of the Listing Rules (hereinafter "the Code").

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 of the Company ("the Board") has carried out a review of the Company's compliance with the Code from the 1st January, 2008 up to the end of the financial period being reported upon, namely the 31 December 2008.

2. General

The Directors believe that there is no blue print for good corporate governance and that accordingly the structures that may be required within the context of large multi-nationals 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.

The first feature is the Board's delegation of specific responsibilities to a number of Committees, notably the Executive Committee and the Audit Committee each of which operates under formal terms of reference. The Executive Committee is headed by the Chief Executive Officer and consists of each Department Head. The Audit Committee is composed of three non-executive directors of the Company.

The second feature is that the Board is composed of a balance of 5 Non-Executive Directors and 3 Executive Directors, a balance that is entrenched in the Company's Memorandum and Articles, which requires that the CEO is an *ex ufficio* Director together with 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 the implementation of polices that allows effective discussion and the availability of all the information necessary to carry out their functions in the best possible manner. This is also in line with the wording of the provisions laid down in paragraph 2.3 of the Code in terms of having a mix of Executive and Non-Executive Directors.

The Chief Executive Officer is the person accountable to the board of directors 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 Board. He also has the discretion to ask any one or more of such members to, from time to time, address the board of directors of the Company on matters relating to the operations of the Subsidiaries. The board of directors of the Company is entitled to call in, at its discretion, any one or more of the members of the Executive Board.

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 report will now set out the structures and processes in place within the Group and how these effectively achieve the goals set out by the Code. For this purpose this report will make reference to the pertinent principles and then set out the manners in which the directors believe that these have been adhered to.

Principles One to Five

These principles deal fundamentally with the role of the board and of the directors.

The Directors believe that for the period under review the Company has generally complied with the requirements of each of these principles.

The Board of directors 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 CEO as the head of the Executive team to ensure an open dialogue between the CEO and directors at regular intervals and not only at meetings of the board.

In line with the requirements of Principle Two, the Company has segregated the functions of the CEO and the chairman, with the CEO heading the Executive team and the chairman's main function is that of leading the board.

The board's composition, in line with Principle Three is of three independent non-executive directors and two executive directors. 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.

As stated above, the Board of Directors currently comprises five (5) Non-Executive Directors. The Board normally meets every eight (8) weeks and as a matter of policy Board established a guideline whereby at its first meeting, it schedules meetings 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 and the Audit Committees which operate under their respective formal terms of reference. Directors have access to the advice and services of the Company Secretary who is also the legal counsel to the Board and the Company. Directors may, in the furtherance of their duties, take independent professional advice on any matter at the Company's expense.

As stated above, the Board of Directors currently comprises five Non-Executive Directors one of which is appointed by the Government of Malta by virtue of its Qualifying Shareholding in the Company. By virtue of an appointment made prior to the Annual general Meeting of 2008, the Government of Malta appointed Ms Jackie Camilleri for a term of three years. Accordingly Ms. Camilleri has served as a director on the Board since the last annual general meeting. Another two non-executive directors are appointed by Malta Mediterranean Link Consortium Limited ("MML") also by virtue of the Qualifying Shareholding. At the last annual general meeting MML appointed each of Ms Karin Zipperer and Mr Louis-M. St-Maurice as directors for a one year term. The remaining two directors are subject to appointment by public investors. At the last annual general meeting the shareholders elected each of Mr Michael Bianchi and Mr Markus Klaushofer as directors.

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 team is principally the CEO, together with the other executive directors on the board, both of whom are members of the Executive Board.

The Executive Board comprises apart from the executive directors the heads of each business unit of the group and its role is that of policy execution, business development, finance, security, administrative and personnel matters, and makes recommendations to the Board on matters which are beyond its remit. Mr Julian Jaeger, CEO, chairs the Executive Committee.

For the period under review the Committee was composed of:

Mr Julian Jaeger, Chief Executive Officer; Mr Austin Calleja – Chief Financial Officer; Major Charles Abela, Technical Services and Civil Engineering; Mr Roderick Bajada, HR and Administration; Mr Alan Borg, Airline Marketing; Mr Mario Cuomo, Security; Ms Rosette Fenech, Communications and Events; Mr Mario Psaila Savona, Non-Aviation Services; Mr Joseph A Schiavone, Airport Operations

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.

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.

Principle Six

The Board believes that this principle has been duly complied with for the period under review.

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 team 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 team.

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.

Principle Seven

Principle 7 deals with an evaluation of the board's 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 having a director who has the necessary competence in accounting. The combined skills of the directors provide a balance of skills and competences that add value of the functioning of the board and its direction of the Company.

Principle Eight

This principle deals with the establishment of a remuneration committee for the Company aimed at developing policies on executive remuneration.

There is no requirement in the code as it currently applies for a nominations committee or a remuneration committee. In the context of a board consisting of 5 non-executive directors, the Board has opted not to have appointed committees other than the audit committee. The Directors believe that certain committees or boards that are suggested in the Code are either not required by the Company or the functions of a number of committees may efficiently be merged or undertaken by the board itself. In addition, the board believes that its size and composition is sufficient for the proper direction and management of the Company and its business and that there would be no value added to the Company and its shareholders to increase the number of board members simply to be able to have separate committees of the board – when the same functions can properly be undertaken by the board itself. The directors will retain the need of such committees under review and as in the past, may appoint *ad hoc* committees of directors to deal with specific issues as and when these arise.

The aggregate amount of remuneration paid to all executive and non-executive Directors of the Company, as authorised by the shareholders of the Company, was □ 324,055 which falls within the maximum approved by the shareholders of □ 465,875.

Principles Nine and Ten

These principles encourage the directors of issuers to foster good relations with their shareholders and that the Company communicates with the market in a timely manner.

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 Audited Financial Statements, the declaration of a dividend, if any, the election of Directors, the determination of the maximum aggregate emoluments that may be paid to Directors, the appointment of auditors and the authorisation of the Directors to set the auditors' remuneration. Any other matter that may be placed by the directors before the annual general meeting will be dealt with as special business.

Apart from the AGM, the Company shall continue 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 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

This principle deals with conflicts of interests 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. In the event that, in the opinion of the board such a conflict exists then the conflicted director is invited to leave the meeting and both the discussion on the matter and the vote, if any, on the matter concerned are 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.

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

Austin Calleja has 6,000 shares in Malta International Airport plc whilst Michael Bianchi has 66.6% of the share capital of Airport Investments Ltd which in turn holds 4.15% of Malta Mediterranean Link Consortium Ltd, a Company that holds 40% of the share capital of Malta International Airport plc.

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

Principle Twelve

Principle 12 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.

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 non-executive directors, namely Jackie Camilleri as its chairman, Louis-M. St-Maurice and Markus Klaushofer. 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.

Ms Jackie Camilleri is an accountant by profession and in the opinion of the board is an independent director that has the required level of competence in accounting and/or auditing.

In the period under review the Audit Committee has held 5 meetings.

The Statement of Directors' Responsibilities for preparing the financial statements is set out on page thirty-one.

Financial Statements

Independent auditor's report on Corporate Governance matters to the members of Malta International Airport p.l.c.

Pursuant to Listing Rule 8.37 and 8.38 issued by the Malta Financial Services Authority, the directors are required to include in their annual report a 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 8.39, which requires us to include a report on the Statement of Compliance.

We read the 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 included in the annual report.

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 system of internal control or its corporate governance procedures.

In our opinion, the Statement of Compliance set out on pages thirty-five to fourty has been properly prepared in accordance with the requirements of Listing Rule 8.37 and 8.38.

Paul Mercieca

DELOITTE
Certified Public Accountants

12 March 2009

Financial Statements

Income statement

Year ended 31 December 2008

	Notes	The Group 2008 □	The Company 2008 □	The Company 2007 □
Revenue	5	**45,106,348**	**44,938,309**	44,356,855
Staff costs	10	**(8,380,037)**	**(8,308,471)**	(7,999,995)
Other operating expenses		**(16,421,928)**	**(16,388,573)**	(16,036,455)
Depreciation		**(4,920,162)**	**(4,905,968)**	(4,483,021)
Investment income	6	**359,722**	**359,722**	240,494
Finance costs	7	**(2,345,047)**	**(2,345,047)**	(2,269,259)
Release of deferred income arising on the sale of terminal buildings and fixtures	22	**288,190**	**288,190**	288,190
Profit before tax	8	**13,687,086**	**13,638,162**	14,096,809
Income tax expense	11	**(5,022,840)**	**(5,005,717)**	(5,173,280)
Profit for the year attributable to the ordinary equity holders of the Company		**8,664,246**	**8,632,445**	8,923,529
Earnings per share attributable to the ordinary equity holders of the Company	29	**12.81cents**	**12.76cents**	13.19cents

Financial Statements

Balance sheets

31 December 2008

	Notes	The Group 2008 □	The Company 2008 □	The Company 2007 □
ASSETS				
Non-current assets				
Property, plant and equipment	13	**102,656,426**	**102,488,850**	97,029,627
Available-for-sale financial assets	14	**931,403**	**931,403**	884,696
Investment in subsidiary	15	**-**	**1,200**	-
Deferred tax assets	16	**4,695,670**	**4,706,300**	4,942,430
		108,283,499	**108,127,753**	102,856,753
Current assets				
Inventories	17	**847,357**	**847,357**	943,005
Trade and other receivables	18	**8,723,552**	**8,889,772**	7,084,307
Current tax asset		**412,774**	**412,774**	-
Cash and short term deposits	28	**4,545,239**	**4,452,144**	9,570,992
		14,528,922	**14,602,047**	17,598,304
TOTAL ASSETS		**122,812,421**	**122,729,800**	120,455,057
EQUITY AND LIABILITIES				
Equity attributable to ordinary shareholders of the parent				
Share capital	25	**31,516,376**	**31,516,376**	31,516,422
Revaluation reserve	27	**1,617,260**	**1,617,260**	1,665,903
Fair value movement reserve	27	**(13,293)**	**(13,293)**	-
Retained earnings		**19,292,975**	**19,261,174**	18,536,545
Total equity		**52,413,318**	**52,381,517**	51,718,870
Non-current liabilities				
Bank loan	20	**50,671,099**	**50,671,099**	45,055,188
Deferred income	22	**7,456,160**	**7,456,160**	7,767,969
Provision for retirement benefit plan	23	**3,671,191**	**3,671,191**	3,381,246
Provision for MIA benefit plan	24	**39,436**	**39,436**	-
		61,837,886	**61,837,886**	56,204,403
Current liabilities				
Trade and other payables	19	**6,988,057**	**6,943,730**	5,537,973
Other financial liabilities	21	**312**	**312**	420,967
Bank loan	20	**1,566,355**	**1,566,355**	1,207,007
Current tax liabilities		**6,493**	**-**	5,365,837
		8,561,217	**8,510,397**	12,531,784
Total liabilities		**70,399,103**	**70,348,283**	68,736,187
EQUITY AND LIABILITIES		**122,812,421**	**122,729,800**	120,455,057

These financial statements were approved and authorised for issue by the board of directors on 12th March 2009 and signed on its behalf by:

Karin Zipperer	**Julian Jaeger**	**Austin Calleja**
Chairman	Chief Executive Officer	Chief Financial Officer

Financial Statements

Statement of changes in equity

Year ended 31 December 2008

The Group

	Share capital	Revaluation reserve	Fair value movement reserve	Retained earnings	Total
	□	□	□	□	□
Balance at 1 January 2008	**31,516,422**	**1,665,903**	**-**	**18,536,545**	**51,718,870**
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax liability on revaluation	-	26,195	-	-	26,195
Net loss on available-for-sale financial assets	-	-	(13,293)	-	(13,293)
Net income recognised directly in equity	-	(48,643)	(13,293)	74,838	12,902
Conversion difference between Euro and Lm	(46)	-	-	46	-
Profit for the year	-	-	-	8,664,246	8,664,246
Total recognised income and expense for the year	(46)	(48,643)	(13,293)	8,739,130	8,677,148
Dividends paid (note 12)	-	-	-	(7,982,700)	(7,982,700)
Balance at 31 December 2008	**31,516,376**	**1,617,260**	**(13,293)**	**19,292,975**	**52,413,318**

Financial Statements

Statement of changes in equity

Year ended 31 December 2008

The Company

	Share capital □	Revaluation reserve □	Fair value movement reserve □	Retained earnings □	Total □
Balance at 1 January 2008	**31,516,422**	**1,665,903**	**-**	**18,536,545**	**51,718,870**
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax liability on revaluation	-	26,195	-	-	26,195
Net loss on available-for-sale financial assets	-	-	(13,293)	-	(13,293)
Net income recognised directly in equity	-	(48,643)	(13,293)	74,838	12,902
Conversion difference between Euro and Lm	(46)	-	-	46	-
Profit for the year	-	-	-	8,632,445	8,632,445
Total recognised income and expense for the year	(46)	(48,643)	(13,293)	8,707,329	8,645,347
Dividends paid (note 12)	-	-	-	(7,982,700)	(7,982,700)
Balance at 31 December 2008	**31,516,376**	**1,617,260**	**(13,293)**	**19,261,174**	**52,381,517**
Balance at 1 January 2007	31,516,422	1,714,552	-	16,944,537	50,175,511
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(74,838)	-	74,838	-
Deferred tax liability on revaluation	-	26,189	-	-	26,189
Net income recognised directly in equity	-	(48,649)	-	74,838	26,189
Profit for the year	-	-	-	8,923,529	8,923,529
Total recognised income and expense for the year	-	(48,649)	-	8,998,367	8,949,718
Dividends paid (note 12)	-	-	-	(7,406,359)	(7,406,359)
Balance at 31 December 2007	**31,516,422**	**1,665,903**	**-**	**18,536,545**	**51,718,870**

Financial Statements

Cash flow statements

Year ended 31 December 2008

	Note	The Group	The Company	
		2008	**2008**	2007
		□	□	□
Profit before tax		**13,687,086**	**13,638,162**	14,096,809
Adjustments for:				
Depreciation of property, plant and equipment		**4,920,162**	**4,905,968**	4,483,021
Amortisation of European Commission grants		**(23,619)**	**(23,619)**	-
Interest expense		**2,345,047**	**2,345,047**	2,269,259
Release of deferred income arising on the sale of the terminal building and fixtures		**(288,190)**	**(288,190)**	(288,190)
(Gain)/loss on sale of property, plant and equipment		**23,786**	**23,786**	(73,946)
Interest income		**(359,722)**	**(359,722)**	(240,494)
Provision for retirement benefit and pension plan		**329,381**	**329,381**	23,976
Provision for bad debts		**(233,423)**	**(233,423)**	234,212
Operating profit before working capital movement		**20,400,508**	**20,337,390**	20,504,647
Working capital adjustments:				
Movement in inventories		**95,648**	**95,648**	119,980
Movement in trade and other receivables		**(2,102,391)**	**(2,268,607)**	518,260
Movement in trade and other payables and other financial liabilities		**1,029,429**	**985,102**	1,324,240
Cash flows from operations:		**19,423,194**	**19,149,533**	22,467,127
Interest paid		**(2,345,047)**	**(2,345,047)**	(2,269,259)
Income taxes paid		**(10,522,003)**	**(10,522,003)**	(3,059,536)
Net cash flows from operating activities		**6,556,144**	**6,282,483**	17,138,332
Cash flows from investing activities				
Purchase of property, plant and equipment		**(9,880,022)**	**(9,698,256)**	(5,518,390)
Purchase of financial assets		**(60,000)**	**(60,000)**	-
Shares invested in a subsidiary		**-**	**(1,200)**	-
Proceeds from sale of property, plant and equipment		**5,844**	**5,844**	80,033
Interest received		**359,722**	**359,722**	240,494
Net cash flows used in investing activities		**(9,574,456)**	**(9,393,890)**	(5,197,863)
Cash flows from financing activities				
Movement in bank loan		**5,975,259**	**5,975,259**	(325,277)
Dividends paid		**(7,982,700)**	**(7,982,700)**	(7,406,359)
Net cash flows used in financing activities		**(2,007,441)**	**(2,007,441)**	(7,731,636)
Net movement in cash and cash equivalents		**(5,025,753)**	**(5,118,848)**	4,208,833
Cash and cash equivalents at the beginning of the year		**9,090,978**	**9,090,978**	4,882,145
Cash and cash equivalents at the end of the year	28	**4,065,225**	**3,972,130**	9,090,978

1. Corporate Information

The Board of Directors of Malta International Airport p.l.c. ('the Company') submit the financial statements for the year ended 31 December 2008, which comprise the individual financial statements of the Company and the consolidated financial statements of the Group. These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 12th March 2009.

The Company is a public company incorporated and domiciled in Malta whose shares are publicly listed and traded on the Malta Stock Exchange. On 11 February 2008, the Company set up a wholly-owned subsidiary, Sky Parks Limited ('the Subsidiary'), to take over the operations of the car park business. The Company and the Subsidiary constitute 'the Group'.

The principal activities of the Company are the development, operation and management of Malta's airport. The principal activity of the Subsidiary is the operation of car parks.

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 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, Chap. 386 of the Laws of Malta. The functional currency of the Company is the Euro. 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 the Subsidiary.

The financial statements of the Subsidiary 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 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.

Comparative information

With the introduction of the Euro as the official currency of the Republic of Malta as from 1 January 2008, the functional currency of the Company has changed from Maltese Lira (LM) to Euro (EUR) on that date. The comparatives have been translated from the amounts reported in the prior year financial statements from Maltese Lira (LM) to Euro (EUR), based on the fixed conversion rate of LM1 = EUR0.4293.

2.2 Significant Accounting Policies

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

Property, plant and equipment are initially measured at cost. 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, property, plant and equipment are stated at cost or revaluation less any accumulated depreciation and any accumulated impairment losses.

Every year, the difference between depreciation of buildings based on the 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.

Assets in the course of construction
Assets in the course of construction for production, rental, capital appreciation or administrative purposes are classified as property, plant and equipment and are carried at cost, less any identified impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for use.

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

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

The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

2.2 Significant Accounting Policies *(continued)*

Financial instruments
Financial assets and financial liabilities are recognised when the Group or the Company 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 balance sheet when the Group or the Company has 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 Group or the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(i) *Trade receivables*
Trade 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) *Investments*
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) *Investment in subsidiary*
Investment in subsidiary in the separate financial statements of the Company is accounted for on the basis of the direct equity interest and is stated at cost less any provisions for impairment, where in the opinion of the directors, any impairment in value has taken place.

(iv) *Bank and other borrowings*
Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest 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 method, unless the effect of discounting is immaterial.

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

(vi) *Shares issued by the Company*
Ordinary shares issued by the Company are classified as equity instruments.

2.2 Significant Accounting Policies *(continued)*

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

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 equity and there is objective evidence that the asset is impaired, the cumulative impairment loss that had been directly recognised through equity is removed from equity and recognised directly in profit and loss 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. Impairment losses recognised on equity instruments at cost are not reversed.

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.

2.2 Significant Accounting Policies

Impairment (continued)

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

(i) Provision 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. Interest income is included in investment income in the income statement.

(iii) Grants
Grants received are recognised when there is reasonable assurance that all the conditions attached to them are complied with and the grants will be received. Grants related to assets are presented in the balance sheet 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 to the income statement in equal annual installments over the lease term.

Borrowing costs

Borrowing costs include the costs incurred in obtaining external financing and mainly consist of interest on bank loans. Borrowing costs are recognised as an expense in profit or loss using the effective interest method.

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.

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

2.2 Significant Accounting Policies

Leases (continued)

arrangement either is dependent on the use of specific asset/assets; or if it conveys a right to use the asset.

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.

Taxation

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the current and deferred tax is also dealt with in equity.

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 assessable or disallowed 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 by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets, including deferred tax assets for the carry forward of unused tax losses and unused tax credits, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences (or the unused tax losses and unused tax credits) can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to settle its current tax assets and liabilities on a net basis.

Employee benefits

The Group and the Company contribute towards the state pension 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 balance sheet 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 balance sheet 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

2.2 Significant Accounting Policies

Currency translation (continued)

in currencies other than the functional currency are retranslated to the functional currency spot rate of exchange ruling at the balance sheet date. 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.

Cash and cash equivalents

Cash and cash equivalents 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 cash equivalents are stated at nominal amounts, being the amount recognised at inception.

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

In the process of applying the Group's and the Company's accounting policies, management has made certain judgements which can significantly affect the amounts recognised in the financial statements. At the balance sheet date, there were certain 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. Areas of judgement and estimation are those disclosed in notes 16, 23 and 24.

4. 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 had not yet been endorsed by the EU. These include IFRIC 12 – *Service Concession Arrangements* which deals on how service concession operators should apply existing International Financial Reporting Standards to account for the obligations they undertake and rights they receive in service concession arrangements. A detailed analysis of the possible applicability and potential effect of this pronouncement has not yet been performed by the Group and the Company, pending its formal endorsement by the EU.

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 to turnover which are in respect of continuing activities are set out below:

	The Group	The Company	
	2008	**2008**	2007
	□	□	□
By activity:			
Regulated fees	**31,290,967**	**31,290,967**	31,055,935
Commercial fees	**9,108,733**	**9,108,733**	8,781,898
Recharges and other income	**4,706,648**	**4,538,559**	4,519,022
	45,106,348	**44,938,309**	44,356,855

6. Investment Income

	The Group	The Company	
	2008	**2008**	2007
	□	□	□
Bank interest receivable	**359,722**	**359,722**	240,494

7. Finance Costs

	The Group	The Company	
	2008	**2008**	2007
	□	□	□
Interest on bank loans	**2,345,047**	**2,345,047**	2,269,259

8. Profit before tax

	The Group	The Company	
	2008	**2008**	2007
	□	□	□
This is stated after charging/(crediting):			
Depreciation of property, plant and equipment	**4,920,162**	**4,905,968**	4,483,021
Net exchange differences	**(948)**	**(952)**	4,253
Operating lease payments	**872,928**	**872,928**	860,904
Movements in provision for bad debts (note 18)	**(233,423)**	**(233,423)**	234,212
Stock write-off	**23,521**	**23,521**	-
The analysis of the amounts that are payable to the parent company's auditors and are required to be disclosed is as follows:			
Audit of the financial statements	**28,828**	**26,428**	17,470
Tax advisory services	**8,643**	**8,643**	2,749
Non-audit services other than tax advisory service	**2,547**	**2,547**	5,525

Other operating expenses include all the Group's and the Company's operating expenses apart from staff costs and depreciation charges which are disclosed separately.

9. Key management personnel compensation

	The Group	The Company	
	2008	**2008**	2007
	□	□	□
Directors' compensation:			
Short-term benefits:			
Fees	**69,171**	**69,171**	67,522
Management remuneration	**254,884**	**254,884**	241,621
Social security costs	**3,322**	**3,322**	4,451
	327,377	**327,377**	313,594

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 EUR132,090 (31.12.2007 – EUR269,436). 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 EUR18,351 (31.12.2007 – EUR19,217). These amounts are included with other operating expenses.

10. Staff costs and employee information

	The Group	The Company	
	2008	**2008**	2007
	□	□	□
Staff costs:			
Wages and salaries	**7,498,507**	**7,431,825**	7,436,285
Social security costs	**552,149**	**547,265**	539,734
Retirement benefit costs	**329,381**	**329,381**	23,976
	8,380,037	**8,308,471**	7,999,995

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

	The Group	The Company	
	2008	**2008**	2007
	□	□	□
Business development, operations and marketing	**101**	**101**	110
Finance, IT and information management	**22**	**22**	22
Firemen	**41**	**41**	43
Meteorological office	**16**	**16**	15
Safety, security and administration	**88**	**83**	78
Technical and engineering	**96**	**96**	94
	364	**359**	362

11. Income tax expense

	The Group	The Company	
	2008	**2008**	2007
	□	**□**	□
Current tax expense	**4,749,885**	**4,743,392**	5,977,489
Deferred tax expense/(credit) (note 16)	**272,955**	**262,325**	(804,209)
	5,022,840	**5,005,717**	5,173,280

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

	The Group	The Company	
	2008	**2008**	2007
	□	**□**	□
Profit before tax	**13,687,086**	**13,638,162**	14,096,809
Tax at the applicable rate of 35%	**4,790,480**	**4,773,356**	4,933,883
Tax effect of:			
Depreciation charges not deductible by way of capital allowances in determining taxable income	**289,240**	**289,241**	263,305
Disallowed expenses in determining taxable income	**9,176**	**9,176**	20,152
Investment income subject to lower tax rates	**(66,056)**	**(66,056)**	(44,060)
Income tax expense for the year	**5,022,840**	**5,005,717**	5,173,280

12. Dividends

The net final dividend of €3,923,700 (5.8cents 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 24th April 2008 and was paid on 26th May 2008. (The net final dividend for 2006 of □3,466,806 (5.124cents per ordinary share) proposed by the directors during 2007 was paid on 15 May 2007).

In respect of the current year, on 5th September 2008 a net interim dividend of □4,059,000 (6 cents per share) (2007 – □3,939,553 (5.823cents per share)) was paid to ordinary shareholders of the Company.

The directors propose that a net final dividend of €0.057 per ordinary share will be paid to ordinary shareholders in respect of the year ended 31 December 2008. 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 €3,856,050.

13. Property, plant and equipment

The Group

	Land held on temporary emphyteusis	Buildings	Furniture, fixtures, plant and equipment	Total
	□	□	□	□
Cost				
At 01.01.2008	42,033,473	58,439,946	56,408,295	156,881,714
Additions		3,000,489	7,576,102	10,576,591
Disposals	-	-	(47,773)	(47,773)
At 31.12.2008	42,033,473	61,440,435	63,936,624	167,410,532
Accumulated depreciation				
At 01.01.08	3,502,791	14,557,020	41,792,276	59,852,087
Provision for the year	646,669	1,214,850	3,058,643	4,920,162
Eliminated on disposal	-	-	(18,143)	(18,143)
At 31.12.2008	4,149,460	15,771,870	44,832,776	64,754,106
Carrying amount at 31.12.2008	**37,884,013**	**45,668,565**	**19,103,848**	**102,656,426**

No depreciation is being charged on assets not yet put into use amounting to □1,511,274.

13. Property. plant and equipment *(continued)*

The Company

	Land held on temporary emphyteusis	Buildings	Furniture, fixtures, plant and equipment	Total
	□	□	□	□
Cost				
At 01.01.2007	42,033,473	56,887,659	52,743,282	151,664,414
Additions	-	1,552,287	3,966,103	5,518,390
Disposals	-	-	(301,090)	(301,090)
At 01.01.2008	42,033,473	58,439,946	56,408,295	156,881,714
Additions	-	3,000,489	7,394,332	10,394,821
Disposals	-	-	(47,773)	(47,773)
At 31.12.2008	42,033,473	61,440435	63,754,854	167,228,762
Accumulated depreciation				
At 01.01.2007	2,856,122	13,443,456	39,364,491	55,664,069
Provision for the year	646,669	1,113,564	2,722,788	4,483,021
Eliminated on disposals	-	-	(295,003)	(295,003)
At 01.01.08	3,502,791	14,557,020	41,792,276	59,852,087
Provision for the year	646,669	1,214,850	3,044,449	4,905,968
Eliminated on disposal	-	-	(18,143)	(18,143)
At 31.12.2008	4,149,460	15,771,870	44,818,582	64,739,912
Carrying amount				
At 31.12.2008	**37,884,013**	**45,668,565**	**18,936,272**	**102,488,850**
At 31.12.2007	38,530,682	43,882,926	14,616,019	97,029,627

No depreciation is being charged on assets not yet put into use amounting to □1,511,274 (31.12.2007 – □2,827,144).

14. Available-for-sale financial assets

The Group and the Company

	Unlisted equity shares	Fund	Total
	□	□	□
At 01.01.2007 / 31.12.2007	884,696	-	884,696
Additions	-	60,000	60,000
	884,696	60,000	944,696
Movements in fair value	-	(13,293)	(13,293)
At 31.12.2008	**884,696**	**46,707**	**931,403**

Available-for-sale investment – Local unlisted equity shares

The Company has an investment in unlisted securities which present it with an opportunity for return through dividend.

Available-for-sale investment - Fund

During 2008, the Company acquired a fund whose fair value is determined by prices quoted on the Malta Stock Exchange.

15. Investment in subsidiary

The Company

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

	2008	2007
	□	□
Shares in Sky Parks Limited	**1,200**	-

The Company holds a 100% ownership in the ordinary share capital of Sky Parks Limited, a limited liability company incorporated in Malta, whose principal activity is the operation of car parks.

16. Deferred taxation

The Group

	31.12.2007	Movement for the year	**31.12.2008**
	□	□	□
Arising on:			
Accelerated tax depreciation	1,915,295	(212,107)	**1,703,188**
Provision for pension costs	1,183,436	101,481	**1,284,917**
Deferred income	2,654,326	(100,866)	**2,553,460**
Other temporary differences	86,391	(61,463)	**24,928**
	5,839,448	(272,955)	**5,566,493**
Revaluation of properties prior to change in title of the underlying land	(897,018)	26,195	**(870,823)**
	4,942,430	(246,760)	**4,695,670**

The Company

	31.12.2007	Movement for the year	**31.12.2008**
	□	□	□
Arising on:			
Accelerated tax depreciation	1,915,295	(201,477)	**1,713,818**
Provision for pension costs	1,183,436	101,481	**1,284,917**
Deferred income	2,654,326	(100,866)	**2,553,460**
Other temporary differences	86,391	(61,463)	**24,928**
	5,839,448	(262,325)	**5,577,123**
Revaluation of properties prior to change in title of the underlying land	(897,018)	26,195	**(870,823)**
	4,942,430	(236,130)	**4,706,300**

Deferred tax assets, including that for the carry forward of any unused tax losses and unused tax credits, are recognised to the extent that it is probable that taxable profits will be available against, which deductible temporary differences (or the unused tax losses and unused tax credits) can be utilised. Significant management judgment is required to determine 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.

17. Inventories

	The Group	The Company	
	2008	**2008**	2007
	□	**□**	□
Consumables	**847,357**	**847,357**	943,005

18. Trade and other receivables

	The Group	The Company	
	2008	**2008**	2007
	□	**□**	□
Trade receivables	**5,920,828**	**5,899,000**	5,106,667
Other receivables	**391,399**	**391,399**	237,247
Receivables from other related parties	**321,892**	**526,190**	142,816
Prepayments and accrued income	**2,089,433**	**2,073,183**	1,597,577
	8,723,552	**8,889,772**	7,084,307

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

The Company

As at 31 December 2008, trade receivables at nominal value of □46,398 (2007: □279,821) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Individually Impaired
	□
At 1 January 2007	45,609
Charge for the year	276,760
Utilised	(42,548)
At 31 December 2007	279,821
Charge for the year	8,601
Unused amounts reversed	(242,024)
At 31 December 2008	46,398

18. Trade and other receivables *(continued)*

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

			Past due but not impaired			
	Total	Neither past due nor impaired	30-60 days	60 days	90 days	>120 days
	□	□	□	□	□	□
2008	**5,920,828**	**3,482,437**	**1,125,509**	**513,789**	**203,943**	**595,150**

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
	□	□	□	□	□	□
2008	**5,899,000**	**3,480,877**	**1,109,464**	**509,589**	**203,920**	**595,150**
2007	5,106,667	2,830,075	977,829	642,602	403,249	252,912

19. Trade and other payables

	The Group	The Company	
	2008	**2008**	2007
	□	□	□
Trade payables	**1,272,199**	**1,272,171**	1,571,307
Other payables	**14,669**	**7,124**	40,174
Accruals and deferred income	**5,701,189**	**5,664,435**	3,926,492
	6,988,057	**6,943,730**	5,537,973

Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 30 days' terms.
- Other payables are non-interest bearing and have an average term of three months.

20. Bank loan

	The Group	The Company	
	2008	**2008**	2007
	□	□	□
Current bank loan	**1,566,355**	**1,566,355**	1,207,007
Non-current bank loan	**50,671,099**	**50,671,099**	45,055,188

The bank loan, which will expire in 2026, is secured by a general hypothec for EUR60,563,708 over all the Company's present and future assets, with the exception of terminal buildings and

20. Bank loan *(continued)*

other sites. At the balance sheet date the loan is charged interest at 3.75% (year ended 31.12.2007 – 4.8%) per annum. The bank loan is repayable as disclosed in note 37.

21. Other financial liabilities

	The Group	The Company	
	2008	**2008**	2007
	□	□	□
Amounts owed to related parties	**312**	**312**	420,967

The terms and conditions of the related party transactions are disclosed in note 32.

22. Deferred income

	The Group	The Company	
	2008	**2008**	2007
	□	□	□
Deferred income arising from the gain on disposal of the land and buildings	**7,295,600**	**7,295,600**	7,583,790
Less: amounts included in current liabilities	**(288,190)**	**(288,190)**	(288,190)
	7,007,410	**7,007,410**	7,295,600
European Commission grant	**448,750**	**448,750**	472,369
Amounts included in non-current liabilities	**7,456,160**	**7,456,160**	7,767,969

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 a grant related to assets and which was received in 2006 in respect of the upgrading of taxiways project.

23. Provision for retirement benefit plan

	The Group	The Company	
	2008	**2008**	2007
	□	□	□
Provision for retirement benefit plan	**3,671,191**	**3,671,191**	3,381,246

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 of 6% (2007: 6%) 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.

23. Provision for ritirement benefit plan *(continued)*

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

	31.12.08 12 months □	31.12.07 12 months □	31.12.06 9 months □	31.03.06 12 months □	31.03.05 12 months □
Present value of the provision for retirement benefits at 1 January / 1 April	**3,381,246**	3,357,270	3,340,410	3,170,238	3,501,565
Payments effected	-	-	(313,482)	-	(473,887)
Charge for the year/period	**289,945**	23,976	330,342	170,172	142,560
Present value of the provision for retirement benefits at 31 December / 31 March	**3,671,191**	3,381,246	3,357,270	3,340,410	3,170,238

24. Provision for MIA benefit plan

	The Group 2008 □	**The Company 2008 □**	2007 □
Provision for MIA benefit plan	**39,436**	**39,436**	-

The provision for MIA benefit plan is unfunded and represents the year-end provision for possible future liabilities relating to payments to employees after their retirement as per the Company's Collective Agreement. The provision has been computed in accordance with the accounting policy stated in note 2 and represents the Company's possible obligation discounted to the net present value at the rate of 6% after considering the probability that employees reach the applicable retirement age when they are still in employment with the Company.

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

	2008 □
Present value of the provision for MIA benefit plan at 1 January	**-**
Charge for the year	**39,436**
Present value of the provision for MIA benefit plan at 31 December	**39,436**

The undiscounted past service cost not yet recognised as at the balance sheet date amounted to □379,064.

25. Share capital

The Company

	31.12.2008 and 31.12.2007	
	Authorised	**Issued and called up**
	□	**□**
40,589,995 "A" ordinary shares of □0.465874 each (all of which have been issued, called up and fully paid)	18,909,824	18,909,824
27,060,000 "B" ordinary shares of □0.465874 each (all of which have been issued, called up and fully paid)	12,606,550	12,606,550
5 "C" ordinary shares of EUR0.465874 each (all of which have been issued, called up and fully paid)	2	2
32,350,000 unissued ordinary shares of □0.465874 each (none of which have been issued and called up)	15,071,024	-
	46,587,400	31,516,376

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.

Shareholders

The shareholders owning 5% or more of the Company's equity share capital at 31 December 2008 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

25. Share capital *(continued)*

The number of holders of each class of share at 31 December 2008 was as follows:

Number of ordinary shares held	Number of accounts	Number of shares	% of shares
Ordinary 'A' shares			
1 - 1,000	2,781	2,009,735	2.97
1,001 - 5,000	3,213	7,615,278	11.26
> 5,001	670	30,964,982	45.77
	6,664	40,589,995	60.00
Ordinary 'B' shares	1	27,060,000	40.00
Ordinary 'C' shares	1	5	-
	6,666	67,650,000	100.00

The above number of holders did not differ significantly from 31 December 2008 to 12 March 2009.

26. Directors' interests

The directors Austin Calleja and Michael Bianchi have registered their interest in the share capital of the Company as at 31st December 2008.

Austin Calleja has 6,000 shares in Malta International Airport plc whilst Michael Bianchi has 66.6% of the share capital of Airport Investments Ltd which in turn holds 4.15% of Malta Mediterranean Link Consortium Ltd, a Company that holds 40% of the share capital of Malta International Airport plc.

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

The above holdings have not changed from 31 December 2008 to 12 March 2009.

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 Movement Reserve

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

28. Cash and cash equivalent

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	The Group	**The Company**	
	2008	**2008**	2007
	□	**□**	□
Cash and short term deposits as per balance sheet	**4,545,239**	**4,452,144**	9,570,992
Less short term deposits	**(480,014)**	**(480,014)**	(480,014)
Cash at banks and in hand	**4,065,225**	**3,972,130**	9,090,978

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 average number of ordinary shares in issue during the year.

	The Group	**The Company**	
	2008	**2008**	2007
	□	**□**	□
Weighted average number of shares in issue	**67,650,000**	**67,650,000**	67,650,000
Earnings per share (cents) attributable to the ordinary equity holders of the Company	**12.81**	**12.76**	13.19

30. Capital commitments

Property, plant and equipment

	The Group	**The Company**	
	2008	**2008**	2007
	□	**□**	□
Contracted but not provided for	**3,259,000**	**3,259,000**	5,205,451
Authorised but not contracted for	**827,088**	**827,088**	5,655,586

31. Contingent liabilities

At the balance sheet date there existed:

(i) claims filed by former employees of the Company with the Tribunal for the Investigation of Injustices for unfair promotions and dismissals amounting to approximately □81,528 (2007: □81,528);

(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 □1,747,030; and

(iii) a claim by an airline for a total amount of EUR250,526 (2007:EUR250,526) which claim is subject to full reimbursement by the Company's insurers should it materialise.

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

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 the subsidiary have been eliminated on consolidation. Other than those disclosed in note 34 the related party transactions in question were:

The Group

		31.12.2008	
	Related party activity	**Total activity**	
	□	□	%
Revenue:			
Related party transactions with:			
Companies which are significantly influenced by members of key management personnel of the Group	2,205,481	45,348,374	5
Staff and other operating costs:			
Related party transactions with:			
Key management personnel of the Company (note 9)	477,818		
Related parties other than the parent and key management personnel of the Group	1,081,187		
	1,559,005	25,043,991	6

32. Related party disclosures *(continued)*

The Company

	31.12.2008			31.12.2007		
	Related party activity	**Total activity**		Related party activity	Total activity	
	□	□	%	□	□	%
Revenue:						
Related party transactions with:						
Companies which are significantly influenced by members of key management personnel of the Company	2,205,100			2,593,159		
Subsidiary	419,202			-		
	2,624,302	45,180,333	6	2,593,159	44,356,855	6
Staff and other operating costs:						
Related party transactions with:						
Key management personnel of the Company (note 9)	477,818			602,247		
Related parties other than the parent and key management personnel of the Company	1,081,187			1,124,391		
	1,559,005	24,939,072	6	1,726,638	24,036,450	7

The amounts due to/from related parties are disclosed in notes 18 and 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.

33. Operating lease arrangements

The Group / Company as lessee

	The Group	**The Company**	
	2008	**2008**	2007
	□	□	□
Minimum lease payments under operating lease recognised as an expense for the year	**799,757**	**799,757**	751,223

33. Operating lease agreements *(continued)*

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

	The Group	The Company	
	2008	**2008**	2007
	□	**□**	□
Within one year	**803,634**	**803,634**	803,634
In the second to fifth years inclusive	**3,335,081**	**3,335,081**	3,335,080
After five years	**112,033,891**	**112,033,891**	112,837,526
	116,172,606	**116,172,606**	116,976,240

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 Group / Company as lessor
Operating lease income represents rent of offices, bonded stores and warehouses.

34. Contracts of significance

Pursuant to Listing Rules 9.44e.9 and 9.44e.10 issued by the Listing Authority of the Malta Financial Services Authority, the contracts of significance entered into by the Company in the year ended 31 December 2008 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 (Malta) Limited and SNC-Lavalin Inc., gives rise to an expense of □1,081,187 (31.12.2007 – □1,124,391).

The Government of Malta
(i) The terminal land lease agreement with the Lands Department for □799,758 (31.12.2007 – □751,223);
(ii) The contract for contribution to the Malta Tourism Authority for □232,937 (31.12.2007 – □232,937);
(iii) The contract with the Armed Forces of Malta for the security of the restricted areas at the Airport for an expense of □2,959,576 (31.12.2007 – □2,939,634);
(iv) The provision of Air Navigation Services and other services by Malta Air Traffic Services Limited for an expense of □1,289,854 (31.12.2007 – □1,280,252);
(v) The provision of Meteorological Services and other services to Malta Air Traffic Services Limited for revenue of □926,115 (31.12.2007 – □919,222);
(vi) The ground handling and concession agreements with Air Malta p.l.c. and its subsidiaries that generated income of □2,171,648 (31.12.2007 – □2,591,987); and
(vii) The contract with Enemalta Corporation for fuel throughput charges generated the amount of □1,405,309 (31.12.2007 – □1,520,333) in revenue.

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 individual financial statements 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 2008 and 31 December 2007 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. The Company does not intend to dispose of these investments within twelve months of the balance sheet date.

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, investments and cash and short-term deposits, which arise mainly from its operations.

These financial instruments are classified into the following categories:

	The Group	**The Company**	
	2008	**2008**	2007
	□	□	□
Available for sale investments	**931,403**	**931,403**	884,696
Loans and receivables	**11,376,329**	**11,465,704**	15,509,369
Financial liabilities at amortised cost	**56,806,547**	**56,799,581**	50,659,385

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

Available for sale investments	**(13,293)**	**(13,293)**	-
Loans and receivables	**593,145**	**593,145**	(37,485)
Financial liabilities at amortised cost	**(2,345,047)**	**(2,345,047)**	(2,269,259)

37. Financial Risk Management *(continued)*

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 Company has taken out bank facilities to finance its operations as disclosed in note 20. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The Company 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 and Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's and Company's equity.

	Increase/ decrease in basis points	Effect on profit before tax € ('000)
2008		
EUR	+25	(119)
EUR	-25	119
2007		
EUR	+25	(92)
EUR	-25	92

The effect on profit takes into consideration both interest payable and interest receivable based on the loan and cash balances as disclosed in notes 20 and 28 respectively.

Credit risk
Financial assets which potentially subject the Group and the Company to concentrations of credit risk, consist principally of investments, receivables and cash at bank. Receivables are presented net of an allowance for doubtful debts. The maximum exposure is the carrying amounts of each class of asset as disclosed in notes 14 and 15, 18 and 28 respectively.

An allowance for doubtful debts 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 debtors is limited due to credit control procedures and the number of customers comprising the Group's and Company's debtor base. Investments are acquired after assessing the quality of the relevant investments. Cash at bank is placed with reliable financial institutions.

Liquidity risk
The tables below summarises the maturity profile of the Group's and Company's financial liabilities at 31 December 2008 based on contractual undiscounted payments.

37. Financial Risk Management *(continued)*

The Group
Year ended 31 December 2008

	Total	Current	< 3 months	3 – 12 months	1 – 5 years	>5 years
	□	□	□	□	□	□
Interest bearing loans and borrowings	68,071,621	-	2,091,002	1,430,456	18,709,461	45,840,702
Other liabilities	7,124	-	-	7,124	-	-
Accruals	3,700,880	925,220	1,665,396	1,110,264	-	-
Trade and other payables	1,272,199	984,148	117,780	170,271	-	-
Other financial liabilities	312	312	-	-	-	-
	73,052,136	1,909,680	3,874,178	2,718,115	18,709,461	45,840,702

The Company
Year ended 31 December 2008

	Total	Current	< 3 months	3 – 12 months	1 – 5 years	>5 years
	□	□	□	□	□	□
Interest bearing loans and borrowings	68,071,621	-	2,091,002	1,430,456	18,709,461	45,840,702
Other liabilities	7,124	-	-	7,124	-	-
Accruals	3,693,942	923,485	1,662,274	1,108,183	-	-
Trade and other payables	1,272,171	984,120	117,780	170,271	-	-
Other financial liabilities	312	312	-	-	-	-
	73,045,170	1,907,917	3,871,056	2,716,034	18,709,461	45,840,702

The Company
Year ended 31 December 2007

	Total	Current	< 3 months	3 – 12 months	1 – 5 years	>5 years
	□	□	□	□	□	□
Interest bearing loans and borrowings	65,694,840	-	1,762,492	1,629,327	12,968,127	49,334,894
Other liabilities	40,175	-	3,527	36,648	-	-
Accruals	3,257,612	-	3,257,612	-	-	-
Trade and other payables	1,571,307	876,497	330,328	364,482	-	-
Other financial liabilities	420,967	-	420,967	-	-	-
	70,984,901	876,497	5,774,926	2,030,457	12,968,127	49,334,894

37. Financial Risk Management *(continued)*

The Group monitors and manages its risk to a shortage of funds by monitoring forecast and actual cash flows. The Company has additional undrawn bank facilities of EUR5.9 million earmarked for capital expenditure projects and EUR4.7 million overdraft facility.

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 ending 31 December 2008 and 31 December 2007.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 40% and 50%. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the equity holders and other reserves.

Financial Statements

Independent auditor's report to the members of Malta International Airport p.l.c.

Report on the financial statements

We have audited the accompanying financial statements of Malta International Airport p.l.c., set out on pages forty-two, to seventy-four which comprise the balance sheet of the company as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As also described in the statement of directors' responsibilities on page thirty-one, the directors of the company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. 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 of the company give a true and fair view of the financial position of the company as of 31 December 2008 and of the company's financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been properly prepared in accordance with the Companies Act (Chap. 386).

Paul Mercieca

DELOITTE
Certified Public Accountants

12 March 2009

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