Malta International Airport p.l.c.

C 12663

Interim Report

Interim Condensed Consolidated Financial Statements
and Directors' Report

30 June 2018

Contents

Interim Directors' Report

Period Ended 30 June 2018

These interim consolidated financial statements comprise the financial statements of Malta International Airport plc and its subsidiaries Airport Parking Limited, Sky Parks Development Limited and Sky Parks Business Centre Limited.

Performance Review

Malta International Airport welcomed 3,069,673 passengers in the first half of 2018, translating into an additional 429,961 passenger movements and an increase of 16.3% over the previous year. Double-digit growth occurred across all months, with the strongest increase registered in March at 22.6%. This improved performance was achieved following an increase of 16.6% in aircraft movements and a 17.0% growth in seat capacity. This stemmed from an enhanced winter schedule, which contributed to a substantial 19.4% increase in Q1, and the launch of a summer schedule offering more than 100 destinations, which led to a 14.5% growth in Q2. Seat load factor for the first six months remained largely unchanged and stood at an overall 79.7%.

Passenger growth was registered across all main markets. Traffic from the UK increased by 14.7%, as a result of the launch of 8 new developments and a number of airlines adding frequencies to already existing routes. Traffic from Italy and France improved by 14.9% and 16.7% respectively. The German market registered an increase of 11.7%, which was partially offset by a less frequent turnaround of the cruise and fly programme when compared to 2017. A significant 27.1% increase was noted in Spain, due to the introduction of 4 new developments as part of the summer schedule. Other markets registering significant increases include Poland with 23.4% and Turkey with 16.3%.

Total revenue for the period from January to June increased by 11.5%; from EUR 36.7mn in 2017 to EUR 40.9mn in 2018. The increase reflects the growth in passenger movements, as well as an increase in non-aviation revenue. Turnover from the Airport and the Retail and Property segments increased by 11.8% to EUR 29.0mn and 12.4% to EUR 11.8mn, respectively. Whilst revenue growth remained robust, the Company's costs are under control. Other operating costs increased by only 5.0%, whereas staff costs registered an increase of 14.8% during the reporting period. As a result, EBITDA of the Group from January to June 2018 increased from EUR 20.9mn to EUR 23.9mn; an improvement of 14.6% over the previous year. Net profit increased by EUR 2.0mn (+18.3%) to total EUR 13.0mn.

The Group settled all of its outstanding loan balances of EUR 33mn during the first half of 2018. Interest expenses are down 65.2%, both as a result of the loan repayments in 2018 and the early settlement of a high-interest loan at the end of 2017.

The capital expenditure of EUR 3.3mn remained below the EUR 9.3mn registered in the first half of 2017, as the bigger part of the investment earmarked for the Company's Terminal Reconfiguration Project – which is now nearing completion – was disbursed in the first half of 2017. As a consequence of the Company's significant investment programme, depreciation and amortisation increased by 7.7% to total EUR 3.6mn, when compared to the previous year.

The Group foresees no major changes in its activities for the remaining six months of the financial year.

Dividends

The Group is proposing a net dividend of EUR 0.03 per share on all shares settled as at close of business on Wednesday 22 August 2018 and payable by no later than Friday 14 September 2018.

Alan Borg
Chief Executive Officer

By Order of the Board
25 July 2018

Condensed Consolidated Statement of Comprehensive Income

Period Ended 30 June 2018

Condensed Consolidated Income Statement

The Group unaudited | in EUR	Notes	H1 2018	H1 2017
Revenue	7	**40,865,999**	36,656,074
Staff costs	8	**(4,409,277)**	(3,842,443)
Other operating costs		**(12,519,074)**	(11,926,536)
Depreciation		**(3,629,497)**	(3,370,931)
Investment Income		**209**	4,160
Finance Cost		**(180,561)**	(519,017)
Release of deferred income arising on the sale of terminal buildings and fixtures		**104,382**	104,382
Profit before tax		**20,232,181**	**17,105,688**
Income tax expense	9	**(7,228,843)**	(6,112,270)
Profit after tax for the period attributable to the ordinary equity holders of the Company, net of tax		**13,003,338**	**10,993,418**
Earnings per share		**0.096**	**0.081**

Condensed Consolidated Statement of Comprehensive Income

The Group unaudited | in EUR	Notes	H1 2018	H1 2017
Profit after tax for the period attributable to the ordinary equity holders of the Company, net of tax		**13,003,338**	**10,993,418**
Items that may be reclassified subsequently to profit or loss			
Net gain on available-for-sale financial assets		**-**	2,247
Other comprehensive income for the period attributable to the ordinary equity holders of the Company, net of tax		**-**	**2,247**
Total comprehensive income for the period attributable to the ordinary equity holders of the Company, net of tax		**13,003,338**	**10,995,665**

Condensed Consolidated Statement of Financial Position

30 June 2018

The Group in EUR	Notes	**30 June 2018** unaudited	**31 December 2017** audited
Assets			
Property, plant and equipment	10	**105,941,811**	105,864,394
Investment property		**16,260,842**	16,656,702
Other investments	11	**107,787**	107,578
Deferred tax assets		**5,521,969**	5,545,043
Non-current assets		**127,832,408**	**128,173,717**
Inventories		**872,147**	891,511
Trade and other receivables	12	**22,863,446**	15,383,372
Cash and short term deposits	12	**8,860,792**	38,401,907
Current assets		**32,596,385**	**54,676,790**
Total Assets		**160,428,793**	**182,850,507**
Equity and liabilities			
Equity attributable to ordinary equity holders of the Company			
Share capital		**33,825,000**	33,825,000
Other reserve		**1,155,140**	1,179,462
Fair value reserve		**-**	30,973
Retained earnings		**64,313,646**	60,712,916
Total equity		**99,293,786**	**95,748,351**
Bank loan	13	**-**	31,147,638
Deferred income		**5,427,917**	5,371,367
Provision for retirement benefit plan		**4,431,102**	4,408,590
Provision for MIA benefit fund		**228,323**	222,989
Non-current liabilities		**10,087,342**	**41,150,584**
Bank loan	13	**-**	1,868,923
Trade and other payables		**42,608,418**	40,576,934
Current tax liabilities		**8,439,249**	3,505,715
Current liabilities		**51,047,667**	**45,951,572**
Total liabilities		**61,135,008**	**87,102,156**
Total equity and liabilities		**160,428,793**	**182,850,507**

The Group has initially applied IFRS 15 and IFRS 9 as from 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 4.

Condensed Consolidated Statement of Changes in Equity

Period Ended 30 June 2018

The Group unaudited | in EUR	Equity attributable to ordinary equity holders of the Company **Share capital**	**Other reserve**	**Fair value reserve**	**Retained earnings**	**Total**
Balance at 1 January 2018	**33,825,000**	**1,179,462**	**30,973**	**60,712,916**	**95,748,351**
Profit for the period	-	-	-	13,003,338	13,003,338
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	13,003,338	13,003,338
Adjustment on initial application of IFRS 9			(30,973)	30,973	-
Difference for historical depreciation for the year calculated on the revalued amount	-	(37,419)	-	37,419	-
Deferred tax on revaluation	-	13,097	-	-	13,097
Dividends	-	-	-	(9,471,000)	(9,471,000)
Balance at 30 June 2018	**33,825,000**	**1,155,140**	**-**	**64,313,646**	**99,293,786**

The Group unaudited | in EUR	**Share capital**	**Other reserve**	**Fair value reserve**	**Retained earnings**	**Total**
Balance at 1 January 2017	**33,825,000**	**1,228,107**	**27,043**	**50,017,598**	**85,097,748**
Profit for the period	-	-	-	10,993,418	10,993,418
Other comprehensive income	-	-	2,247	-	2,247
Total comprehensive income for the period	-	-	2,247	10,993,418	10,995,665
Difference for historical depreciation for the year calculated on the revalued amount	-	(37,419)	-	37,419	-
Deferred tax on revaluation	-	13,097	-	-	13,097
Dividends				(9,471,000)	(9,471,000)
Balance at 30 June 2017	**33,825,000**	**1,203,785**	**29,290**	**51,577,435**	**86,635,510**

Condensed Consolidated Statement of Cash Flows

Period Ended 30 June 2018

The Group unaudited | in EUR	Notes	H1 2018	H1 2017
Cash flows from operating activities			
Profit before tax		**20,232,181**	**17,105,688**
Adjustments for:			
Depreciation of property, plant and equipment		3,629,497	3,370,931
Release of deferred income arising on the sale of the terminal building and fixtures		(104,382)	(104,382)
Amortisation of European Commission Grant		(20,128)	(20,128)
Amortisation of Norwegian Grant		(25,881)	(25,881)
Amortisation of Government Grant		(4,996)	(4,996)
Finance cost		180,561	519,017
Investment income	11	(209)	(4,160)
Non-cash transaction prior year		-	48,207
Provision for retirement benefit plan		22,512	21,326
Provision for MIA benefit plan		5,334	6,677
Provision for impairment of trade receivables		-	-
Operating items		**3,682,310**	**3,806,613**
Working capital movements:			
Movement in inventories		19,364	(11,168)
Movement in trade and other receivables	12	(7,480,074)	(4,837,826)
Movement in trade and other payables and other financial liabilities	12	2,115,880	7,145,990
Working capital movements		**(5,344,830)**	**2,296,996**
Cash flows from operations		**18,569,660**	**23,209,297**
Interest paid		(180,561)	(519,017)
Income taxes paid		(2,131,600)	(2,054,380)
Net cash flows from operating activities		**16,257,500**	**20,635,900**
Cash flows from investing activities			
Payments for property, plant and equipment	10	(3,307,633)	(9,280,268)
Payments for investment property	10	(3,420)	-
Interest received		-	4,160
Net cash flows used in investing activities		**(3,311,053)**	**(9,276,108)**
Cash flows from financing activities			
Repayment of bank loans	13	(33,016,561)	(1,868,923)
Dividends paid	16	(9,471,000)	(9,471,000)
Net cash flows used in financing activities		**(42,487,561)**	**(11,339,923)**
Net movement in cash and cash equivalents		**(29,541,115)**	**19,869**
Cash and cash equivalents at the beginning of the period		**38,401,907**	**36,550,212**
Cash and cash equivalents at the end of the period		**8,860,792**	**36,570,080**

1. Corporate information and consolidation range

The interim condensed consolidated financial statements (“Interim Financial Statements”) of the Group for the six months ended 30 June 2018 (“H1”) were authorised for issue in accordance with a resolution of the directors on 25 July 2018.

Malta International Airport plc is a public company incorporated and domiciled in Malta whose shares are publicly listed and traded on the Malta Stock Exchange.

The principal activities of the Company and its subsidiaries (‘the Group’) are the development, operation and management of Malta’s airport. The Group also operates the Business Centre within the limits of the airport.

2. Basis of preparation

These Interim Financial Statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and the Listing Rules issued by the Malta Financial Services Authority.

The financial information of the Group as at 30 June 2018 and for the six months then ended reflect the financial position and the performance of Malta International Airport p.l.c. and its subsidiaries Airport Parking Limited, Sky Parks Development Limited, and Sky Parks Business Centre Limited. The comparative amounts reflect the position of the group as included in the audited financial statements ended 31 December 2017 and the unaudited results for the period ended 30 June 2018.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 December 2017, which form the basis for these Interim Financial Statements.

3. Judgments and key sources of estimation uncertainty

In preparing these Interim Financial Statements, management has made judgements and estimates that affect the application of accounting policies and that can significantly affect the amounts recognised. The significant judgements made in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

The initial application of new standards and interpretations applicable as of 1 January 2018 has not led to any additional significant judgments and key sources of estimation uncertainty that would warrant additional disclosures in terms of IAS 1.

4. Changes in significant accounting policies

The Interim Financial Statements as of 30 June 2018 have been prepared using the same accounting policies and methods of computation as those on which the preceding annual consolidated financial statements as of 31 December 2017 were based with the exception of those resulting from the new International Financial Reporting Standards that are applicable to the current reporting period.

The changes in accounting policies in these Interim Financial Statements are also expected to be reflected in the Group’s consolidated financial statements as at and for the year ending 31 December 2018.

In preparing the Interim Financial Statements, the standards and interpretations applicable as of 1 January 2018 have been applied. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

4.1 Revenue recognition

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016 by *Clarifications to IFRS 15*) in the current period from 1 January 2018. The standard was adopted using the cumulative effect method with the effects of initially applying this standard recognised in equity at the date of initial application at 1 January 2018. Accordingly, the comparative information for 2017 has not been restated and continues to be reported under IAS 18 *Revenue*. The significant accounting policies under IAS 18 disclosed in the Group's annual financial statements as at 31 December 2017 continue to apply to the 2017 comparative figures.

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

IFRS 15 must be applied to all contracts with customers that the Group enters into which for the Group can essentially be split into the following revenue streams:

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

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

The following contracts from which the Group derives revenue are exempted from the scope of IFRS 15:

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

Apart from providing more extensive disclosures on the Group's revenue transactions, the initial application of IFRS 15 does not have a material effect on the Group's interim statement of financial position as at 30 June 2018 and its interim statement of comprehensive income for the six months then ended.

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

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when (or as) it satisfies a performance obligation by transferring control of a promised good or service to the customer.

Regulated revenue

Regulated revenue constitutes income based on fees that are subject to the Airport Economic Regulations. These fees are charged to airlines and aircraft operators for the use of the airport infrastructure and include passenger service charges as well as landing, parking and security fees.

The Group's performance obligation is to make the airport available as and when each airline makes use of it. The transaction price follows a set fee structure and is based on a variety of underlying metrics, such as the number of departing passengers, and the maximum take-off weight, which metrics become known by the time the services are provided and thus no significant estimates are required in this respect. In determining the transaction price, consideration is taken of variable fee-reducing rebates based on incentive agreements. Incentives are deducted from revenue in full and are included within the line item "Trade and other payables". Any such incentives which are not taken up are recognised as revenue only when it is highly probable that a significant reversal will not occur, that is, when the uncertainty associated with the incentives is subsequently resolved.

The performance obligation in relation to regulated revenue is satisfied over time, which corresponds to the revenue recognition methodology applied by the Group in terms of IAS 18. A receivable is recognised by the Group as the services are provided and included in the line item "Trade and other receivables" until the actual payment is made by the respective customers.

On these grounds, the initial application of IFRS 15 with regards to regulated revenue did not have a significant impact on the Group's accounting policies and no material effect on the Group's financial position as at 1 January 2018.

Unregulated revenue

Unregulated revenue is income based on charges that are not regulated, but subject to fee structures that are negotiated with the Group's customers. Fees for each service are uniform among all customers. The main constituents of unregulated revenue are PRM charges, ground handling fees, car parking revenue, income from VIP services as well as meteorological services and other income.

- ***PRM fees*** are charged to airlines in order to recover costs emanating to the Group for the provision of assistance to persons with reduced mobility (PRM) in line with Regulation (EC) 1107/2006. The Group's performance obligation is to arrange the required services for persons with reduced mobility on behalf of the airline or aircraft operator. The transaction price is represented by a set fee that is based on the number of departing passengers of an airline or aircraft operator. The performance obligation is satisfied over time, which corresponds to the revenue recognition methodology applied by the Group in terms of IAS 18.

- ***Ground handling concession income*** is revenue from ground handling and infrastructure providers for the right to provide their services (ground handling, fuelling) within the airport perimeter for the duration of the respective contracts. The Group's performance obligation is to make the maintained airport infrastructure and equipment available so that the ground handling provider is able to provide its services to airlines and aircraft operators. The transaction price follows a fee structure that is based on a variety of underlying metrics, such as the number of departing passengers, aircraft movements, maximum take-off weight, kilograms of freight and mail and litres of fuel. The Group has determined that it provides a daily service of access that is distinct with the uncertainty related to the consideration receivable being also resolved on that basis and accordingly no further estimates are required in this regard. The performance obligation is satisfied over time, which corresponds to the revenue recognition methodology applied by the Group in terms of IAS 18. A receivable is recognised by the Group as the services are provided and included in the line item "Trade and other receivables" until the actual payment is made by the respective ground handling provider.

  Car parking income primarily represents revenue generated through the provision of car parking spaces at the car parks within the airport perimeter, other than revenue from rental income resulting from the lease of car parking spaces which is within the scope of IAS 17. The Group's performance obligation is to provide and maintain car parking space for the duration of the stay. The transaction price follows a pre-determined fee structure that is based on parking time and that is payable immediately upon use. The performance obligation is satisfied over time, which corresponds to the revenue recognition methodology applied by the Group in terms of IAS 18. Besides, income from the sale of car park access cards which allow customers to make use of the car park over a fixed period is recognised over time on straight-line basis for the duration of the contract, in line with the requirements of IFRS 15 and, thus, no change in accounting policy is required.

- ***Income from VIP services*** primarily represents revenue generated through the provision of services, such as access to airport lounges and ancillary services (e.g. porterage, meet-and-greet). The Group's performance obligation is to provide the services if and when requested by customers in line with underlying terms and conditions. The transaction price follows a fixed price structure. The performance obligation in terms of IFRS 15 is satisfied over time, which corresponds to the revenue recognition methodology applied by the Group in terms of IAS 18.

  In addition, the Group issues membership cards that enable members to make use of a variety of VIP services and facilities provided by the airport, such as lounges and access to car parks, over a fixed period. Such revenue is recognised over time on a straight-line basis for the duration of the contract, in line with the requirements of IFRS 15 and thus, no change in accounting policy is required.

- ***Revenue from meteorological services*** is generated from the provision of meteorological services to Malta Air Traffic Services (MATS). The Group's performance obligation is to provide meteorological services in respect of air navigation as well as for public, maritime and agricultural purposes and to maintain the equipment and facilities necessary to do so over the specified contractual period. The transaction price is a contractually agreed amount recognised over the term of the agreement. The performance obligation is satisfied over time, which corresponds to the revenue recognition methodology currently applied by the Group.

- ***Other income*** is generated from a variety of services, such as the issuance of security passes, lost and found services and left luggage.

Based on the above, the initial application of IFRS 15 with regards to unregulated revenue did not have a significant impact on the Group's accounting policies and no material effect on the Group's financial position as at 1 January 2018.

4.2 Financial instruments

The Group has initially adopted IFRS 9 *Financial Instruments* in the current period from 1 January 2018. The standard was adopted using the cumulative effect method with the effects of initially applying this standard recognised in equity at the date of initial application at 1 January 2018. Accordingly, the comparative information for 2017 has not been restated and continues to be reported under IAS 39 *Financial Instruments: Recognition and Measurement*. The significant accounting policies under IAS 39 disclosed in the Group's annual financial statements as at 31 December 2017 continue to apply to the 2017 comparative figures.

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

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

The impact of initially applying IFRS 9 on the Group's balance of reserves and its retained earnings as at 1 January 2018 was the following:

(in EUR)	Impact of adopting IFRS 9
Fair value reserve	
Reclassification of Other investments to FVTPL	-30,973
Retained earnings	
Reclassification of Other investments to FVTPL	30,973

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

The details of the new significant accounting policies under IFRS 9 applicable during the current period and the nature and effect of the changes to previous accounting policies in relation to the Group's financial assets are set out below:

Classification and Measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at either amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics:

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

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

- An equity investment that is not held for trading may be irrevocably elected for its subsequent changes in its fair value to be presented in OCI. This election is made on an investment-by-investment basis. Otherwise, it is measured at FVTPL.

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

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

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

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

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

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

The effects of classification and measurement from the initial application of IFRS 9 are outlined below:

- **Investment fund policy:** This asset, which was classified as available-for-sale under IAS 39, is classified as FVTPL under IFRS 9, with further disclosures being provided in Note 11.

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

- **Trade and other receivables:** These were classified as loans and receivables (LaR) under IAS 39 and are now classified at amortised cost under IFRS 9.

  Trade and other receivables continue to be measured at amortised cost and, therefore, there are no reclassification effects due to the initial application of IFRS 9.

- **Cash at bank balances:** Cash at bank balances were classified as LaR under IAS 39 and continue to be measured at amortised cost under IFRS 9.

  Cash at bank balances continue to be measured at amortised cost and, therefore, there are no reclassification effects due to the initial application of IFRS 9.

Impairment

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. Generally, under IFRS 9, credit losses are recognised earlier than under IAS 39. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI, lease receivables and contract assets, but not to investments in equity instruments. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since the initial recognition.

ECLs are probability-weighted estimates of credit losses with the respective risks of a default occurring as the weights. Credit losses are measured at the present value of all expected cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

The new standard outlines a three-stage model for impairment based on changes in credit risk since initial recognition.

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

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

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

The Group measures loss allowances according to the above outlined three-stage model except for trade receivables and contract assets that do not contain a significant financing component or for which the IFRS 15 practical expedient for contracts that are one year or less is applied, for which the Group applies the simplified approach and recognises LT-ECLs.

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

Significant increase in credit risk

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

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

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

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

Definition of default

For internal credit risk management purposes the Company considers the following events as constituting an event of default as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable: significant financial difficulty of the issuer or the borrower, a breach of contract, such as a default or delinquency in interest or principal payments, the probability to enter bankruptcy or other financial reorganisation.

Write-off policy

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

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (that is, the magnitude of the loss if there is a default) and the exposure at default.

Impairment of Trade and other receivables

As disclosed above, the Group applies the simplified approach for trade receivables and contract assets that do not contain a significant financing component.

For Stage 3 financial assets, LT-ECLs are generally measured on an individual instrument basis since in such instances, the Group generally has reasonable and supportable information that is available without undue cost or effort.

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

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

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

Impairment of Cash at bank balances

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

Currently the Group holds its cash at bank balances with reputable and investment grade rated banking institutions (BBB+ by Standard & Poor's and BBB by Fitch as at 31 December 2017 and 30 June 2018) and accordingly, the resulting ECLs in terms of IFRS 9 were not considered to be material.

5. IFRS in issue but not yet effective

At the date of the issue of these Interim Financial Statements, the International Financial Reporting Standards outlined below were in issue but not yet effective.

IFRS 16 *Leases*

IFRS 16 *Leases* was issued on 13 January 2016 and will supersede IAS 17 *Leases* and related interpretations. IFRS 16 is effective for periods beginning on or after 1 January 2019. Early application is permitted for companies that also apply IFRS 15. The Standard has been endorsed by the EU at the date of authorisation of these financial statements.

The Standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting remains substantially unchanged and the distinction between operating and finance leases is retained.

Given the significance of the Group's and the Company's leasing transactions, the Board is giving due attention to this Standard. At the date of authorization of these Interim Financial Statements the Group is performing detailed assessments to understand the implications of this Standard at the date of transition and thereafter.

The Group and the Company are both lessors and lessees. As lessors, the Group and the Company do not expect any significant changes to current classification and accounting. Leases in which the Group or the Company are lessees, however, will be subject to significant adjustments. These adjustments will lead to an increase in total assets and total liabilities at the date of transition as a result of the recognition of the right of use assets and the corresponding lease liabilities, with the increase in liabilities exceeding the increase in assets at the date of transition.

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

The Board of Directors anticipate that the adoption of IFRS in issue but not yet effective other than the above, will have no material impact on the financial statements of the Group in the period of initial application.

6. Operating segments

Airport Segment

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

Retail and Property Segment

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

Other Segment

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

The results of the Group's operating segments are as follows:

H1 2018 (in EUR)	**Airport**	**Retail and Property**	**Other**	**The Group**
Revenue (external)	28,979,853	11,769,661	116,484	40,865,999
Staff costs	(3,876,633)	(532,644)	-	(4,409,277)
Other operating costs	(10,508,459)	(2,010,615)	-	(12,519,074)
EBITDA	**14,594,761**	**9,226,403**	**116,484**	**23,937,648**
Depreciation	(2,151,826)	(1,477,671)	-	(3,629,497)
EBIT	**12,442,935**	**7,748,731**	**116,484**	**20,308,151**
Investment income				209
Finance cost				(180,561)
Release of deferred income arising on the sale of terminal buildings and fixtures				104,382
Profit before tax				**20,232,181**

H1 2017 (in EUR)	**Airport**	**Retail and Property**	**Other**	**The Group**
Revenue (external)	25,915,884	10,530,352	209,839	36,656,074
Staff costs	(3,193,765)	(682,357)	-	(3,876,122)
Other operating costs	(9,891,185)	(2,001,673)	-	(11,892,857)
EBITDA	**12,830,934**	**7,846,322**	**209,839**	**20,887,095**
Depreciation	(1,942,174)	(1,428,757)	-	(3,370,931)
EBIT	**10,888,760**	**6,417,564**	**209,839**	**17,516,164**
Investment income				4,160
Finance cost				(519,017)
Release of deferred income arising on the sale of terminal buildings and fixtures				104,382
Profit before tax				**17,105,688**

7. Revenue

The Group's main revenue streams as well as the nature and effect of initially applying IFRS 15 on the Group's interim financial statements are disclosed in Note 4.

In the following table, revenue is disaggregated by revenue category. The table also includes a reconciliation of the disaggregated revenue with the Group's operating segments (see Note 6).

H1 2018 (in EUR)	**Airport**	**Retail and Property**	**Other**	**The Group**
Revenue from Services provided Over Time				
Regulated revenue	26,081,155	-	-	**26,081,155**
Unregulated revenue	2,898,698	2,348,880	116,484	**5,364,062**
Revenue from Contracts with Customers	**28,979,853**	**2,348,880**	**116,484**	**31,445,218**
Revenue from Leases	**-**	**9,420,782**	**-**	**9,420,782**
Total Revenue	**28,979,853**	**11,769,661**	**116,484**	**40,865,999**

H1 2017 (in EUR)	**Airport**	**Retail and Property**	**Other**	**The Group**
Revenue from Services provided Over Time				
Regulated revenue	23,330,458	-	-	**23,330,458**
Unregulated revenue	2,585,426	1,944,854	209,839	**4,740,119**
Revenue from Contracts with Customers	**25,915,884**	**1,944,854**	**209,839**	**28,070,577**
Revenue from Leases	**-**	**8,585,497**	**-**	**8,585,497**
Total Revenue	**25,915,884**	**10,530,352**	**209,839**	**36,656,074**

8. Number of employees

The number of persons employed at the end of the six month period, including Executive Directors was as follows:

	30 June 2018	**30 June 2017**
Employees	**340**	305

9. Income tax

The interim period income tax is based on the corporate tax rate of 35%. Income taxes for the interim reporting period represent a best estimate of the weighted average annual income tax rate expected for the full financial year.

10. Property, plant and equipment

During the first six months of the year the Group spent EUR 3.3 million (H1 2017: EUR 9.3 million) on the completion of various projects within the terminal and airfield, thereof approximately EUR 1.8 million for the Terminal Reconfiguration Project.

11. Other Investments

Investment fund policy

As at 30 June 2018, the Group holds a policy which is linked to a number of unit-linked investment funds – that is measured at fair value through profit or loss (FVTPL). Its fair value is determined by the prices quoted on the Malta Stock Exchange for the underlying funds. See also Note 12.

(in EUR)	Amount	Fair value level
Fair value		
At 31 December 2017	107,578	Level 2
Movement in fair value	209	
At 30 June 2018	**107,787**	**Level 2**

The Group used the same fair value hierarchy as outlined in its last annual financial statements. The fair value level as at 30 June 2018 and 31 December 2017 was reclassified in accordance with the inputs being applied to value the instrument. There were no transfers into and out of Level 3 for financial instruments.

12. Financial Instruments – Fair Values

At 30 June 2018 and 31 December 2017 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively comprising trade and other receivables, cash, trade and other payables and current bank loans, approximated their fair values due to the short term maturities of these assets and liabilities.

At 31 December 2017, the fair values of non-current financial liabilities that are not measured at fair value and that carry a floating rate of interest, comprising bank loans are not materially different from their carrying amounts because they carry an arm's length interest rate that is repriced periodically.

The following table shows the carrying amounts and fair values of financial assets (other than investments in subsidiaries) and financial liabilities, including their levels in the fair value hierarchy that are not measured at fair value subsequent to initial recognition. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(in EUR)	Carrying amount 31 December 2017	Fair value 31 December 2017	Fair value level
Financial liabilities not measured at fair value			
Bank loans	33,016,561	33,016,561	Level 2

For the effects of the initial application of IFRS 9 from 1 January 2018 see Note 4.2. The standard was adopted using the cumulative effect method. The comparative information for 2017 has therefore not been restated.

13. Borrowings

(in EUR)	30 June 2018	31 December 2017
Current bank loans	-	1,868,923
Non-current bank loans	-	31,147,638
Total Borrowings	**-**	**33,016,561**

Repayments of bank loans amounting to EUR 33.0 million (H1 2017: EUR 1.9 million) were made in the reporting period ended 30 June 2018. The Group decided to repay all of its loan balance outstanding as at 1 January 2018 prior to their maturity during the period ended 30 June 2018.

14. Contingencies and Commitments

There were no major changes in contingent liabilities as reported in the Group's annual financial statements of 2017.

At 30 June 2018, the Group had capital commitments of approximately EUR 3.6 million (31 December 2017: EUR 5.9 million) in respect of the terminal and airfield.

15. Related Party Disclosures

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

The related party transactions in question were:

	H1 2018			H1 2017		
(in EUR)	Related party activity	Total activity	%	Related party activity	Total activity	%
Revenue						
Related party transaction with:						
Entities controlled by Government	9,535,596			6,959,123		
Entities that control the Company's parent	1,476			12,949		
	9,537,073	**82,369,154**	**12**	**6,972,072**	**36,656,074**	**19**
Other operating costs						
Related party transaction with:						
Key management personnel of the Group	261,548			238,964		
Related parties other than the parent and key management personnel of the Group	1,176,229			1,627,402		
	1,437,778	**33,795,650**	**4**	**1,866,366**	**15,768,980**	**12**

The Group's other operating costs for the current year in relation to related parties other than the parent and key management personnel comprise EUR 1,033,464 (H1 2017: EUR 1,204,082) in connection with entities controlled by Government and EUR 142,765 (H1 2017: EUR 423,321) in connection with entities which have an equity interest in the Company's parent.

In addition to the above, the details of the material contracts entered into by the Group in the period ended 30 June 2018 with its substantial shareholders and their related parties are listed below:

Malta Mediterranean Link Consortium Limited

The provision of Technical Services by the Group's strategic partners VIE Operations Limited and SNC-Lavalin Inc. gave rise to an expense of EUR 164,651 (H1 2017: EUR 1,081,199).

The Government of Malta

(i) The terminal and other land lease agreements with Malita Investments plc for EUR 572,405 (H1 2017: EUR 503,092);
(ii) The contract for contribution to the Malta Tourism Authority (MTA) for EUR 116,468 (H1 2017: EUR 116,468);
(iii) The contract with the Armed Forces of Malta for the security of the restricted areas at the Airport for an expense of EUR 900,000 (H1 2017: EUR 900,000);
(iv) The provision of Air Navigation Services and other services by Malta Air Traffic Services Limited for an expense of EUR 460,586 (H1 2017: EUR 460,586);
(v) The provision of Meteorological Services and other services to Malta Air Traffic Services Limited for revenue of EUR 368,469 (H1 2017: EUR 368,469);
(vi) The contract with Enemed Company Ltd. for fuel throughput charges generated the amount of EUR 208,161 (H1 2017: EUR 186,178) in revenue;
(vii) The ground handling and concession agreements with Air Malta plc and its subsidiaries that generated income of EUR 1,003,387 (H1 2017: EUR 981,651).
(viii) Licence Fee payable to the Government of Malta for the airport operation amounting EUR 248,078 (H1 2017: EUR 248,078)

Property, plant and equipment include land held on temporary emphyteusis, which relates to the land assigned by the Government of Malta to the group by title of temporary emphyteusis. The annual payments are amortised over the remaining term of the lease in accordance with IAS 17.

16. Dividends

During the interim period, a net dividend of EUR 0.07 (H1 2017: EUR 0.07) per share was paid to the shareholders of the parent company.

17. Seasonality

The revenue and earnings of the first six months of the year generally represents around 44% and 41% of the total annual revenue and earnings of the Group, respectively.

18. Events after the Reporting Period

All events occurring after the balance sheet date until the date of authorisation for issue of these financial statements and that are relevant for valuation and measurement as of 30 June 2018 – such as outstanding legal proceedings or claims for damages and other obligations or impending losses that must be recognised or disclosed in accordance with IAS 10 – are included in these Interim Financial Statements.

Statement pursuant to Listing Rule 5.75.3

30 June 2018

I confirm that to the best of my knowledge:

a) the condensed consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2018, and the financial performance and cash flows for the period then ended, in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34); and

b) the Interim Directors' Report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

Karl Dandler
Chief Financial Officer
25 July 2018