

Malta International Airport p.l.c.

C 12663

Interim Report

Interim Condensed Consolidated Financial Statements
and Directors' Report

30 June 2020

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Interim Directors' Report

Period Ended 30 June 2020

These interim condensed 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

Traffic Development

Malta International Airport welcomed 1,017,850 passengers in the first half of 2020, resulting in a drop of 2,234,057 passenger movements and an overall decline of 68.7% when compared to 2019.

The year began on a positive note, with strong growth registered in January (+14.2%) and February (+17.3%). However, passenger movements decreased by 64.5% in March as a result of the Covid-19 outbreak in Europe. Stringent travel restrictions also led to a drop of 46.6% in aircraft movements and 48.1% in seat capacity.

Travel bans were introduced in a staggered approach from the second week of March, affecting traffic from Malta International Airport's top markets. On 9th March, the Maltese Government announced a ban on flights from Northern Italy, which was followed by a full suspension of flights from Italy the next day. Flights from Germany, Switzerland, France and Spain were banned as of 11th March.

A total ban on all scheduled passenger flights was enforced as of 21st March, limiting the operation at Malta International Airport to repatriation, humanitarian and cargo flights only. Given that this travel ban was introduced towards the end of March, drops of only 11.2% in aircraft movements and 8.9% in seat capacity were registered in the first quarter of 2020 when compared to the same quarter in 2019.

Traffic to and from Malta International Airport remained at an almost complete standstill until June, with just 822 take-offs and landings registered in Q2. 49% of all flights in Q2 were humanitarian and repatriation operations, with 12 airlines ferrying passengers to and from more than 20 countries. The rest were cargo flights, which registered an increase of 3.7% in Q2 when compared to the same quarter in 2019.

In Q2, seat capacity registered a drop of 97.8% and, consequently, passenger movements decreased by 99.6%. Seat load factor for the same quarter fell by 66.5pp to stand at 16.1%.

Seat load factor for the first half of the year stood at 67.7%, representing an overall decline of 12.2pp when compared to the same period in 2019.

	Q1 2020	Q1 2019	% Change	Q2 2020	Q2 2019	% Change
Passenger Movements	1,009,051	1,202,983	-16.1%	8,799	2,048,924	-99.6%
Aircraft Movements	8,467	9,540	-11.2%	822	14,366	-94.3%
Seat Capacity	1,449,061	1,590,196	-8.9%	54,817	2,481,493	-97.8%
Seat Load Factor	69.6%	75.7%	-6.1 pp	16.1%	82.6%	-66.5 pp
MTOW (in tonnes)	331,470	362,080	-8.5%	31,732	542,361	-94.1%
Cargo and Mail (in tonnes)	4,360	4,435	-1.7%	4,187	4,453	-6.0%

	H1 2020	H1 2019	% Change
Passenger Movements	1,017,850	3,251,907	-68.7%
Aircraft Movements	9,289	23,906	-61.1%
Seat Capacity	1,503,878	4,071,689	-63.1%
Seat Load Factor	67.7%	79.9%	-12.2 pp
MTOW (in tonnes)	363,202	904,441	-59.8%
Cargo and Mail (in tonnes)	8,546	8,889	-3.9%

Interim Directors' Report

Period Ended 30 June 2020

Financial Performance

Total revenue for the period from January to June decreased by 67%; from EUR 44.6mn in H1 2019 to EUR 14.9mn in H1 2020. This decrease reflects the significant downturn in traffic resulting from a ban on all commercial flights which came into effect on 21st March. The coming to a standstill of commercial airport operations resulted not only in a decrease in revenues from the airport segment, which dropped by 73% from EUR 31.0mn in H1 2019 to EUR 8.4mn in H1 2020, but also in a 51% decrease in revenues from the retail and property segment, which is equivalent to EUR 6.8mn. By segregating half-year revenue performance, the strong decline in revenues in Q2 becomes clearly visible.

	Q1 2020	Q1 2019	+/-	% Change
Airport	7,808,923	9,599,712	(1,790,789)	-18.7%
Retail and Property	4,979,799	5,799,628	(819,829)	-14.1%
Other	43,209	161,461	(118,252)	-73.2%
	Q2 2020	Q2 2019	+/-	% Change
Airport	548,979	21,425,179	(20,876,200)	-97.4%
Retail and Property	1,543,617	7,521,181	(5,977,564)	-79.5%
Other	16,532	62,085	(45,553)	-73.4%
	H1 2020	H1 2019	+/-	% Change
Airport	8,357,902	31,024,891	(22,666,989)	-73.1%
Retail and Property	6,523,416	13,320,809	(6,797,393)	-51.0%
Other	59,741	223,546	(163,805)	-73.3%

During the reporting period, operating costs were diluted by EUR 4.3mn (34.2%) when compared to last year as variable costs for customer services, security, maintenance, and VIP products were in line with passenger volumes and registered a double-digit decrease. Nevertheless, overall cost discipline, including the steering of fixed costs, was of utmost importance to mitigate the decline in revenues. Consequently, total expenditures during the reporting period amounted to EUR 12.4mn, translating into a decrease of EUR 5.2mn when compared to H1 2019 (-29.7%).

Notwithstanding, EBITDA of the Group decreased by 90.5% over the previous year; from EUR 27.0mn to EUR 2.6mn, resulting in a net loss of EUR 2.0mn.

Initiatives to preserve liquidity and financial stability

With Malta International Airport temporarily closing down to all commercial flight operations, immediate measures had to be taken to stabilise the financial position of the Group. The Company started by evaluating several scenarios to enable it to assess the ramifications of the airport closure on the overall business and to identify measures that could be adopted with a view to mitigate the adverse impact on the Company as a result of the Covid-19 crisis as well as the post-pandemic recovery.

In an effort to preserve liquidity to see Malta International Airport plc through the current year, the Company implemented several strict cost-cutting measures targeting an initial reduction of overall operating costs of 30%.

In light of this, the Board of Directors of the Company, including the Chief Executive Officer and the Chief Financial Officer took a voluntary 30% reduction in their remuneration. Moreover, the management team of Malta International Airport accepted the Company's proposed temporary salary reductions of 25%, effective from 1st April. In addition to the contributions of the Board of Directors and management team, temporary salary reductions based on a 4-day working week for the period stretching from April to July were agreed to by the Unions.

Various forms of government support have been granted to help companies get through the Covid-19 crisis, with Malta International Airport qualifying for a monthly wage supplement of EUR 800 per full-time employee.

In addition to all salary-related measures, a hiring freeze has been put in place until further notice.

Staff costs during the reporting period amounted to EUR 4.1mn, representing a decrease of EUR 0.9mn compared to H1 2019 (-18.4%).

Investment focus on infrastructure

To preserve liquidity, the Group made drastic adjustments to its original capital expenditure programme for 2020, suspending all non-essential projects. The Group has shifted its focus to the completion of major projects, namely

Interim Directors' Report

Period Ended 30 June 2020

the construction of the new multi-storey car park and the expansion of the cargo village, works on which were already at an advanced stage before the COVID-19 pandemic impacted the business. The Group will also continue to carry out projects and works that are essential to the maintenance of the Group's assets, most notably the airfield infrastructure. Consequently, capital expenditure in the reporting period decreased from EUR 7.0mn in the first half of 2019 to a total of EUR 5.4mn.

Shareholder dividends

In the context of the current situation, earlier this year, the Group re-considered its original recommendation for the payment of a final net dividend to shareholders of EUR 0.10 per share, announced on the 26 February 2020. Having evaluated the overall position, the Board of Directors concluded that, with a view to managing the Group's cash reserves in a moment of severe curtailment of revenue generation, the recommendation for the declaration of a dividend over and above the interim dividend of EUR 0.03 per share already paid in September 2019 should be withdrawn.

Outlook

Malta Airport re-opened to commercial flights on 1st July. Having been updated regularly since the restart of operations, Malta International Airport's flight schedule currently offers connections to 76 airports in 21 European countries.

As a result of the current situation, weekly frequencies to previously high-frequency destinations have been lowered significantly and, in many cases, the operation is limited to the summer months only. The Group is committed to continue working closely with government and its stakeholders to restore the island's connectivity, and is working to provide tailored offerings to its partner airlines.

Nonetheless, in view of the current situation and the severe adverse effects on the Group's revenue generation, compounded by the uncertainty of the duration of this state of affairs, the Company does not have sufficiently reliable data to be able to provide dependable forecasts that can give accurate guidance to the market on the same basis as that given in January 2020.

However, having conducted an assessment of the situation, the Directors have reason to believe that with the measures taken so far, and others which are planned to be taken should the need arise, the Group is sufficiently resilient to be able to sustain the current conditions and that, during the current financial year, it has sufficient resources to meet all of its financial obligations.



Alan Borg
Chief Executive Officer

By Order of the Board
29 July 2020

Condensed Consolidated Statement of Comprehensive Income

Period Ended 30 June 2020

The Group unaudited in EUR	Notes	H1 2020	H1 2019
Revenue	7	14,941,059	44,569,246
Staff costs	8 / 9	(4,062,457)	(4,978,621)
Other operating costs		(8,272,544)	(12,618,865)
Impairment losses on financial assets		(33,124)	-
Depreciation		(4,579,103)	(4,348,080)
Investment Income		12,707	18,021
Finance Cost		(1,048,167)	(1,039,768)
Release of deferred income arising on the sale of terminal buildings		141,802	104,382
(Loss) / Profit before tax		(2,899,827)	21,706,315
Income tax credit / (expense)	10	886,227	(7,754,077)
(Loss) / Profit / Total Comprehensive Income / (Loss) after tax for the period attributable to the ordinary equity holders of the Company, net of tax		(2,013,600)	13,952,238
(Loss per share) / Earnings per share		(0.015)	0.103

Condensed Consolidated Statement of Financial Position

30 June 2020

The Group in EUR	Notes	30 June 2020 unaudited	31 December 2019 audited
Assets			
Property, plant and equipment	11	165,654,163	164,430,886
Investment property		15,613,827	15,905,686
Deferred tax assets		6,355,393	5,904,374
Non-current assets		187,623,383	186,240,946
Inventories		893,570	872,242
Trade and other receivables	12	7,427,437	17,752,544
Term deposits	12	5,000,000	5,000,000
Cash and cash equivalents	12	34,473,568	28,174,981
Current assets		47,794,575	51,799,767
Total - Assets		235,417,958	238,040,713
Equity and liabilities			
Equity attributable to ordinary equity holders of the Company			
Share capital		33,825,000	33,825,000
Retained earnings and reserves	16	93,204,456	95,218,056
Total - Equity		127,029,456	129,043,056
Lease liability		52,983,519	52,755,835
Deferred income		6,227,821	6,454,885
Provision for retirement benefit plan		3,900,400	3,880,077
Provision for MIA benefit fund		315,824	293,797
Non-current liabilities		63,427,564	63,384,594
Trade and other payables	12	43,578,792	43,792,203
Current tax liabilities		1,382,146	1,820,860
Current liabilities		44,960,938	45,613,063
Total - Liabilities		108,388,502	108,997,657
Total - Equity and Liabilities		235,417,958	238,040,713

Condensed Consolidated Statement of Changes in Equity

Period Ended 30 June 2020

The Group unaudited in EUR	Equity attributable to ordinary equity holders of the Company			
	Share capital	Other reserve	Retained earnings	Total
Balance at 1 January 2020	33,825,000	-	95,218,056	129,043,056
Loss for the period	-	-	(2,013,600)	(2,013,600)
Total comprehensive loss for the period	-	-	(2,013,600)	(2,013,600)
Balance at 30 June 2020	33,825,000	-	93,204,456	127,029,456

The Group unaudited in EUR	Equity attributable to ordinary equity holders of the Company			
	Share capital	Other reserve	Retained earnings	Total
Balance at 1 January 2019	33,825,000	1,130,817	77,655,440	112,611,257
Profit for the period	-	-	13,952,238	13,952,238
Total comprehensive income for the period	-	-	13,952,238	13,952,238
Transfer of Other reserve	-	(1,130,817)	-	(1,130,817)
Dividends	-	-	(12,177,000)	(12,177,000)
Balance at 30 June 2019	33,825,000	-	79,430,678	113,255,678

Condensed Consolidated Statement of Cash Flows

Period Ended 30 June 2020

The Group unaudited in EUR	Notes	H1 2020	H1 2019
Cash flows from operating activities			
(Loss) / Profit before tax		(2,899,827)	21,706,315
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		4,579,103	4,348,080
Release of deferred income arising on the sale of the terminal building		(141,802)	(104,382)
Amortisation of European Commission Grant		(20,128)	(20,128)
Amortisation of Government Grant		(4,996)	(4,996)
Impairment Loss		33,124	-
Finance cost		1,048,167	1,039,768
Investment income		(12,707)	(18,021)
Provision for retirement benefit plan		20,323	31,466
Provision for MIA benefit plan		22,027	22,176
Operating items		5,523,111	5,293,963
<i>Working capital movements:</i>			
Movement in inventories		(21,328)	57,914
Movement in trade and other receivables		10,291,984	(1,993,447)
Movement in trade and other payables and other financial liabilities		(558,363)	5,620,052
Working capital movements		9,712,293	3,684,519
Cash flows from operations		12,335,577	30,684,797
Lease interest paid		(248,078)	(1,039,768)
Income taxes credit / (paid)		2,196	(4,246,881)
Retirement benefit paid		(293,477)	(293,477)
Net cash flows from operating activities		11,796,218	25,104,671
Cash flows from investing activities			
Payments for property, plant and equipment	11	(5,399,630)	(6,974,788)
Payments for investment property		(110,708)	-
Payments for term deposits		-	(5,000,000)
Interest received		12,707	18,021
Net cash flows used in investing activities		(5,497,631)	(11,956,767)
Cash flows from financing activities			
Payments of lease liabilities	13	-	(379,489)
Dividends paid	16	-	(12,177,000)
Net cash flows used in financing activities		-	(12,556,489)
Net movement in cash and cash equivalents		6,298,587	591,415
Cash and cash equivalents at the beginning of the period		28,174,981	20,253,186
Cash and cash equivalents at the end of the period		34,473,568	20,844,601

Notes to the Interim Condensed Consolidated Financial Statements

Period Ended 30 June 2020

1. Reporting Entity and Consolidation Range

The interim condensed consolidated financial statements ("Interim Financial Statements") of the Group for the six months ended 30 June 2020 ("H1") were authorised for issue in accordance with a resolution of the directors on 29 July 2020.

Malta International Airport p.l.c. (the "Company") is a public company incorporated and domiciled in Malta whose shares are publicly listed and traded on the Malta Stock Exchange.

The principal activities of the Company and its subsidiaries (the "Group") are the development, operation and management of Malta's airport. The Group also operates a business centre within the limits of the airport.

2. Basis of Preparation

These Interim Financial Statements for the six months ended 30 June 2020 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 2020 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 2019 and the unaudited results for the period ended 30 June 2019.

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 2019, which form the basis for these Interim Financial Statements. These Interim Financial Statements are intended to provide an update on the latest complete set of annual financial statements and accordingly they focus on new activities, events and circumstances, including events related to the Covid-19 outbreak which had an adverse impact on the business the first half of 2020.

Covid-19 Impact

The outbreak of Covid-19 in Europe spurred the local authorities to gradually start introducing travel bans on select markets from 9th March in an effort to contain the spread of the virus. This culminated in the coming into effect of a travel ban on all commercial flights on 21st March, following which Malta International Airport remained operational to serve repatriation, humanitarian and cargo flights only until June 2020.

As a result, revenue in Q2, generated by both the airport segment and the retail and property segment, registered a significant decrease when compared to the same period last year. During the reporting period, in fact, a decrease of 67% in revenues; from EUR 44.6mn in H1 2019 to EUR 14.9mn, was registered.

Various cost-cutting measures were taken to compensate for the loss of revenue and to preserve the liquidity of the Group, with a target to reduce overall operating costs by 30% when compared to the same period last year being set. Consequently, operating costs for the reporting period amounted to EUR 8.2mn (2019: EUR 12.6mn) representing a decrease of 34%.

One of the main measures taken was a reduction in salaries, with the Board of Directors, the Chief Executive Officer, and the Chief Financial Officer taking a 30% cut in their remuneration, and members of the management team agreeing to the proposed salary reduction of 25% effective 1 April 2020. A 4-day working week for the period from April to July, corresponding to a 20% salary reduction, was agreed upon with the remaining employees of the Group and the workers' unions representing them. In addition, a hiring freeze was introduced until further notice.

In light of the situation, the Government of Malta announced several support measures to help businesses during the pandemic, with the Covid Wage Supplement and the Tax Deferral Scheme being applicable to the Company and the Group respectively. Under the Covid Wage Supplement, the Company was eligible to receive EUR 800 per month for each full-time employee (refer to Note 9 for more detail on the Covid Wage Supplement).

Under the Tax Deferral Scheme, the payment of taxes due between March and June was deferred until July.

Notes to the Interim Condensed Consolidated Financial Statements

Period Ended 30 June 2020

2. Basis of Preparation (continued)

To preserve the cash reserves of the Group, drastic adjustments to the original capital expenditure programme for 2020 were made, with the focus being shifted to essential projects and the completion of major projects; the multi-storey car park and the expansion of the cargo village. These two projects were already at an advanced stage before Covid-19 broke out and it is expected that the multi-storey car park will be completed in summer 2020.

Furthermore, the Board of Directors decided to withdraw its proposal made on 26 February 2020 to pay out a net dividend of EUR 0.10 per share given that revenue generation has been severely curtailed due to the Covid-19 crisis.

All of the afore-mentioned measures will ensure that the Group has sufficient resources to meet the obligations arising during the current year.

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.

Significant judgements made in applying the Group's accounting policies with respect to service concession arrangements in terms of IFRIC 12 and leases in terms of IFRS 16 were the same as those described in the last annual financial statements.

4. Application of new and revised IFRS

International Financial Reporting Standards applicable in the current year

IAS 1 and IAS 8 Amendment – Definition of Material

As of 1 January 2020, an amendment to IAS 1 and IAS 8 *Definition of Material* came into effect. The amendment clarifies the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendment ensures that the definition of material is consistent across all IFRS Standards.

International Financial Reporting Standards in issue but not yet effective

IFRS 16 Leases Amendment – Covid-19 – Related Rent Concessions

As at 30 June 2020, the Group did not receive any Covid-19 related rent concessions and therefore the amendment did not impact the Group's Financial Statements.

A lessee shall apply the amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020. At the date of authorisation of these financial statements, this Amendment had not as yet been endorsed by the EU. The amendment states that lessees may elect not to assess whether a Covid-19 related rent concession is a lease modification. A lessee who makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account if the change was not a lease modification. Such an exemption is only applicable if the rent concession occurred as a direct consequence of Covid-19 and only if the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021;
- There is no substantive change to other terms and conditions of the lease.

Notes to the Interim Condensed Consolidated Financial Statements

Period Ended 30 June 2020

4. Application of new and revised IFRS (continued)

Other accounting amendments effective as from 1 January 2020 did not have a significant impact on the Group's financial result, position, cash flows and accounting policies.

At the date of approval of these financial statements, a number of International Financial Reporting Standards were either not yet endorsed by the EU or were not yet applicable to the Group. The Board of Directors anticipate that the adoption of these Standards will have no material impact on the financial statements of the Group in the period of initial application.

5. Significant Accounting Policies

The Interim Financial Statements as of 30 June 2020 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 2019 were based.

6. Operating Segments

Airport Segment

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

Notes to the Interim Condensed Consolidated Financial Statements

Period Ended 30 June 2020

6. Operating Segments (continued)

H1 2020 (in EUR)	Airport	Retail and Property	Other	The Group
Revenue (external)	8,357,902	6,523,416	59,741	14,941,059
Staff costs	(3,488,675)	(573,782)	-	(4,062,457)
Other operating costs	(6,886,718)	(1,385,826)	-	(8,272,544)
Impairment losses on financial assets	(24,181)	(8,943)	-	(33,124)
EBITDA	(2,041,672)	4,554,865	59,741	2,572,934
Depreciation	(2,970,072)	(1,609,031)	-	(4,579,103)
EBIT	(5,011,744)	2,945,834	59,741	(2,006,169)
Investment income				12,707
Finance cost				(1,048,167)
Release of deferred income arising on the sale of terminal buildings and fixtures				141,802
Profit before tax				(2,899,827)

H1 2019 (in EUR)	Airport	Retail and Property	Other	The Group
Revenue (external)	31,024,891	13,320,809	223,546	44,569,246
Staff costs	(4,358,105)	(620,516)	-	(4,978,621)
Other operating costs	(10,270,720)	(2,348,145)	-	(12,618,865)
EBITDA	16,396,065	10,352,148	223,546	26,971,760
Depreciation	(2,838,114)	(1,509,966)	-	(4,348,080)
EBIT	13,557,951	8,842,182	223,546	22,623,680
Investment income				18,021
Finance cost				(1,039,768)
Release of deferred income arising on the sale of terminal buildings and fixtures				104,382
Profit before tax				21,706,315

7. Revenue

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 8).

H1 2020 (in EUR)	Airport	Retail and Property	Other	The Group
Revenue from Services provided Over Time				
Regulated revenue	7,047,592	-	-	7,047,592
Unregulated revenue	1,310,310	1,954,555	59,741	3,324,606
Revenue from Contracts with Customers	8,357,902	1,954,555	59,741	10,372,198
Revenue from Leases	-	4,568,861	-	4,568,861
Total Revenue	8,357,902	6,523,416	59,741	14,941,059

H1 2019 (in EUR)	Airport	Retail and Property	Other	The Group
Revenue from Services provided Over Time				
Regulated revenue	27,558,920	-	-	27,558,920
Unregulated revenue	3,465,971	3,818,006	223,546	6,574,663
Revenue from Contracts with Customers	31,024,891	3,818,006	223,546	35,066,443
Revenue from Leases	-	9,502,803	-	9,502,803
Total Revenue	31,024,891	13,320,809	223,546	44,569,246

Notes to the Interim Condensed Consolidated Financial Statements

Period Ended 30 June 2020

7. Revenue (continued)

The qualitative impact of Covid-19 on the Group's net income, including revenue, is disclosed in Note 2.

8. Number of Employees

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

	30 June 2020	30 June 2019
Employees	387	380

9. Government Grants

The Maltese Government announced a number of measures to financially support businesses whose operation was significantly impacted by the Covid-19 pandemic. Malta International Airport was eligible to benefit from the Covid Wage Supplement under Annex A, receiving EUR 800 on a monthly basis per full-time employee.

During the reporting period, the Group received EUR 821,057 in government grants under the Covid Wage Supplement. These amounts were deducted from the line item 'Staff Costs' in the Consolidated Statement of Comprehensive Income.

10. Income Tax

The interim period income tax is based on the Maltese 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.

11. Property, Plant and Equipment

During the first six months of the year, additions by the Group on investment projects within the terminal and to the airfield, as well as on car park infrastructure amounted to EUR 5.4 million (H1 2019: EUR 7.0 million).

The outbreak of Covid-19 in Malta and the consequent closure of the island's borders to commercial flights as of 21 March 2020, constituted a triggering event in terms of IAS 36 *Impairment of Assets*. An impairment test as at 30 June 2020 was carried out, indicating no need for impairment provisions.

12. Financial Assets and Financial Liabilities

Except for lease liabilities, the Group's financial assets and financial liabilities are all of current nature and comprise trade and other receivables, term deposits, and cash; as well as trade and other payables. All of these current financial assets and current financial liabilities are classified as measured at amortised cost (AC). The lease liabilities are measured in terms of the Group's accounting policy.

Fair Values

At 30 June 2020 and 31 December 2019 carrying amounts of the Group's current financial assets and current financial liabilities approximated their fair values due to the short-term maturities of these financial instruments. For the lease liabilities, disclosure of fair value is not required.

Notes to the Interim Condensed Consolidated Financial Statements

Period Ended 30 June 2020

13. Lease Arrangements

The Group as lessee

Lease arrangements where the Group is a lessee remain unchanged from the last Annual Financial Statements and primarily include the temporary emphyteusis of the leasehold land and buildings with ground rents payable by the Company to Malita Investments plc (previously to the Government of Malta) and further payments for the related aerodrome licence fee payable to the Government of Malta, with no renewal option included in the contracts. The term of the leases ranges from 58 years to 65 years and the lease payments on the temporary emphyteusis are adjusted upwards periodically by a specified rate.

Lease Liability (in EUR)	Carrying Amount	Gross Cash Flows	< 1 year	1-5 Years	> 5 years
H1 2020	52,983,519	136,603,916	1,653,268	7,091,330	127,859,318
H1 2019	51,990,516	138,244,883	1,640,967	6,931,910	129,672,006

The Group as lessor

Lease arrangements where the Group is a lessor remain unchanged from the last Annual Financial Statements. These primarily consist of lease agreements for portions of land held on temporary emphyteusis, commercial property situated in the terminal building as well as commercial property within Sky Parks Business Centre.

The Group (in EUR)	H1 2020	H1 2019
Lease income under operating leases recognised as income for the year	2,068,825	2,602,198
Lease income under operating leases relating to variable lease payments that do not depend on an index or a rate	2,528,026	6,869,270
Total lease income under operating leases recognised as income for the year	4,596,851	9,471,467

(in EUR)	H1 2020	H1 2019
Year 1	3,496,615	3,618,302
Year 2	3,336,646	3,496,615
Year 3	2,784,158	3,336,646
Year 4	2,175,321	2,784,158
Year 5	2,049,765	2,175,321
Year 6 and onwards	17,944,265	21,338,063
	31,786,770	36,749,105

14. Contingencies and Commitments

There were no major changes in contingent liabilities, and they remain in essence as reported in the Group's annual financial statements of 2019.

At 30 June 2020, the Group had capital commitments of approximately EUR 9.5 million (31 December 2019: EUR 9.4 million) in respect of the terminal, airfield and car parking infrastructure.

Notes to the Interim Condensed Consolidated Financial Statements

Period Ended 30 June 2020

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:

(in EUR)	H1 2020			H1 2019		
	Related party activity	Total activity	%	Related party activity	Total activity	%
Revenue						
<i>Related party transaction with:</i>						
Entities controlled by Government	2,168,774			10,603,989		
Entities that control the Company's parent	-			-		
	2,168,774	14,941,059	15	10,603,989	44,569,246	24
Staff costs						
<i>Related party transaction with:</i>						
Government	821,057					
	821,057	4,062,457	20	-	-	-
Other operating costs						
<i>Related party transaction with:</i>						
Key management personnel of the Group	200,937			260,065		
Related parties other than the parent and key management personnel of the Group	986,312			1,222,305		
	1,187,250	8,272,544	14	1,482,372	12,618,865	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 938,569 (H1 2019: EUR 1,123,990) in connection with entities controlled by Government and EUR 47,743 (H1 2019: EUR 98,315) 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 2020 with its substantial shareholders and their related parties are listed below:

The Government of Malta

- (i) The terminal and other land lease agreements with Malita Investments plc for EUR 572,405 (H1 2019: EUR 572,405);
- (ii) The aerodrome licence fee payable to the Government of Malta for the airport operation amounting to EUR 248,078 (H1 2019: EUR 248,078);
- (iii) The contract for contribution to the Malta Tourism Authority (MTA) for EUR 116,468 (H1 2019: EUR 116,468);
- (iv) The contract with the Armed Forces of Malta for the security of the restricted areas at the Airport for an expense of EUR 856,248 (H1 2019: EUR 900,000);
- (v) The provision of Air Navigation Services and other services by Malta Air Traffic Services Limited for an expense of EUR 464,806 (H1 2019: EUR 464,806);
- (vi) The provision of Meteorological Services and other services to Malta Air Traffic Services Limited for revenue of EUR 371,844 (H1 2019: EUR 371,844);
- (vii) The contract for fuel throughput charges with Enemed Company Ltd. generated the amount of EUR 82,406 (H1 2019: EUR 203,553) in revenue;

Notes to the Interim Condensed Consolidated Financial Statements

Period Ended 30 June 2020

15. Related Party Disclosures (continued)

- (viii) The ground handling and concession agreements with Air Malta plc and its subsidiaries that generated income of EUR 492,945 (H1 2019: EUR 1,017,112);
- (ix) The contracts with Malta Industrial Parks Ltd. for the lease of land that generated income of EUR 541,188 (H1 2019: EUR 541,188).

Right-of-use assets include the Group's right to use the land and the buildings held on temporary emphyteuses with annual ground rents payable to Malita Investments plc (previously to the Government of Malta) and the corresponding licence payable to the Government of Malta, as further disclosed above. The annual depreciation is recognised as an expense over the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The interest expense on the lease liability is recognised using the effective interest method.

16. Dividends

During the interim period, no dividend was paid to the shareholders of the company, whereas in the same comparable period in 2019 a net dividend of EUR 0.09 per share was paid.

17. Seasonality

The revenue and earnings of the first six months generally represent around 44% and 41% of the total annual revenue and earnings of the Group, respectively. However, this year due to the pandemic, revenue and earnings are not representative of the general seasonality of the Group's operations.

18. Events after the Reporting Period

With the number of Covid-19 cases being on the decrease, the Maltese authorities re-opened the island's borders to commercial flights to and from a limited number of countries on 1 July 2020. Since then, Malta International Airport has regularly updated its flight schedule to reflect the most recent developments, with the Maltese islands currently being connected to 76 airports in 21 countries.

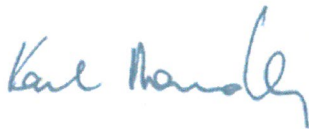
Other events occurring after the balance sheet date until the date of authorisation for issue of these financial statements and that are relevant for valuation and measurement as of 30 June 2020 – such as outstanding legal proceedings or claims for damages and other obligations or impending losses that 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 2020

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 2020, 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
29 July 2020